Austria Sch 20 | Bahrain Din 0.650 | Belgium BFr 45 | Canada C$1.00 | Cyprus C£0.70 | Denmark DKr 8.00 | Egypt E£1.50 | Finland Fmk 6.50 | France Fr 5.00 | Germany DM 2.20 | Greece Dr 60 | Hong Kong HK$12 | India Rup 15 | Indonesia Rp 2500 | Israel IS 3.50 | Italy L 1600 | Japan Y650 | Jordan Fils 500 | Kuwait Fils 500 | Lebanon L 75.00 | Luxembourg LFr 45 | Malaysia Rgt 4.25 | Mexico Pes 300 | Morocco Dh 6.00 | Netherlands Fl 2.75 | Norway NKr 7.00 | Philippines Pes 20 | Portugal Esc 90 | S. Arabia Rls 6.00 | Singapore S$4.10 | Spain Pta 125 | Sri Lanka Rup 30 | Sweden SKr 7.00 | Switzerland SFr 2.20 | Taiwan NT$35 | Tunisia Din 1.375 | Turkey L 350 | U.A.E. Dh 6.50 | U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,998 | Tuesday August 5 1986 | D 8523 B

Italy: armed truce in political battlefield, Page 14

World news | Business summary

Moscow, Israel to discuss links

Israel and the Soviet Union confirmed that preliminary talks will take place in Helsinki later this month aimed at re-establishing consular links between the two countries. Diplomatic ties were cut off 19 years ago.

The Soviet Foreign Ministry said the discussions would deal with the reopening of consulates in both countries. Israeli Prime Minister Shimon Peres told the Knesset talks would deal with issues such as travel, communications and property rights.

The meeting is said to be a Soviet move after a request by Moscow to survey property in Israel owned by the Russian Orthodox Church since before the Russian revolution. Page 2

Summit preparation

US Secretary of State George Shultz and Soviet Foreign Minister Eduard Shevardnadze will meet in Washington on September 19 and 20 apparently to prepare a new summit between President Ronald Reagan and Soviet leader Mikhail Gorbachev. Page 16

Malaysian election

Prime Minister Mahathir Mohamad entrenched his position as Malaysia's leader with an overwhelming election victory as political analysts wondered how he would use his new powers. Page 4

Filipino generals

Philippines President Corazon Aquino appointed 19 generals in an apparent move to tighten her hold on the army. Page 4

Crackdown in Beirut

Prime Minister Karami announced a security crackdown in West Beirut one hour after a bomb attack killed two people and wounded about 30 in Christian East Beirut.

Cyprus attack claim

A group, Unified Nasserite Organisation - Cairo, claimed responsibility for the rocket attack on Sunday against the British base at Akrotiri, Cyprus. Page 4

Union Carbide suit

India will file a suit against Union Carbide of the US in an Indian court this month to settle claims over a gas leak which killed more than 2,000 people in 1984, an Indian minister said.

Gurkha move attack

Britain's opposition Labour Party attacked as secretive and excessive a decision to dismiss 111 Gurkha soldiers for refusing to co-operate with an inquiry into a brawl in Hawaii.

Bahrain SE move

The Bahrain cabinet has decided to set up a formal stock exchange in a move which Gulf bankers said was aimed at stimulating local and foreign investment.

UN appointment

The Soviet Union announced the appointment of Mr Alexander Belonogov, a career diplomat and former ambassador in Egypt, as its new permanent representative at the United Nations.

Mafia trial delay

The trial of 468 alleged Mafia gangsters in Palermo, Sicily, was interrupted after one of the defendants complained of hearing voices inside his head and was put in a straitjacket.

Picasso ransom bid

Australian Cultural Terrorists, which said it stole Picasso's Weeping Woman from a national gallery at the weekend, threatened to destroy the painting unless the Victorian state government paid a ransom and boosted funding for the arts.

N-power generation 'to rise by 85%'

NUCLEAR power generation among industrial nations is likely to increase by about 85 per cent during the next 15 years, according to a survey by the Paris-based Nuclear Energy Authority. Page 16

BRITISH AIRWAYS applied to get British Caledonian's licence on the London-Atlanta route revoked after the independent UK airline said it would operate flights jointly with Belgium's Sabena. Eastern Air Lines is to suspend its London-Miami service from October 1. Page 16

DOLLAR

DM/$ LONDON — Against the D-MARK

STERLING

DM/£ LONDON — Against the D-MARK

INDEX — Source: Bank of England — 1986 July Aug

DOLLAR closed in New York at DM 2.0865; SFr 1.6750; FFr 6.780 and Y154.25. It was unchanged in London at DM 2.0835. It rose to SFr 1.6755 (SFr 1.6690) and to Y154.05 (Y153.75), but fell to FFr 6.7700 (FFr 6.7825). On Bank of England figures the dollar's index was unchanged at 111.2. Page 27

STERLING closed in New York at $1.470. It fell in London to $1.4710 ($1.4855); DM 3.0650 (DM 3.0950); FFr 9.9575 (FFr 10.0750); SFr 2.4650 (SFr 2.4800), and to Y226.50 (Y228.50). The pound's exchange rate index fell 1.0 to 70.7. Page 27

GOLD fell $3 to $359.25 on the London bullion market. It rose in Zurich to $359.85 from $359.00. In New York the Comex August settlement was $367.0. Page 26

WALL STREET: The Dow Jones industrial average closed 6.33 up at 1,769.97 Page 34

LONDON: Equities were lower and gilts drifted down long with the exchange rate. The FT Ordinary share index shed 11.9 to 1,261.5 while the FT-SE 100 fell 16.4 to 1,545.4. Page 34

TOKYO: Prices fell for the fourth consecutive session. The Nikkei average gave up 21.89 to 17,263.10. Page 34

BELGIAN banks have agreed to a complex plan to limit interest payments on a large chunk of their outstanding government loans. Page 2

FINLAND'S central bank has raised its call money rate, which in effect sets the price for all short-term borrowing, from 10.8 per cent to 12.4 per cent in a move to defend the markka. Page 2

BEECHAM, British drugs and consumer foods group, named Robert Bauman, vice chairman of US aerospace and financial group Textron, as executive chairman. Lord Keith, outgoing chairman, revised the board's structure to reduce the power of chairman and executive directors. Page 16; Men and Matters, Page 14; Feature, Page 15

GRUMMAN, US defence and civilian vehicle group reported a sharp drop in second-quarter earnings, and disclosed technical problems on its programmes to develop the F-14D and A-6F aircraft for the US navy which could have a "significant impact" on costs and schedules. Page 17

THORN EMI, Britain's largest consumer electronics manufacturer, paid Peter Laister, its former chairman and chief executive who resigned last July, a golden handshake of £440,000 ($642,400).

BANCA Nazionale del Lavoro, Italy's largest bank, has acquired Banco Denasa de Investimento, a Brazilian bank with headquarters in Sao Paolo. Page 18

Thatcher shifts on sanctions but fails to satisfy partners

BY ROBERT MAUTHNER, MICHAEL HOLMAN AND PETER RIDDELL IN LONDON

THE COMMONWEALTH mini-summit on South Africa was on the verge of ending in disagreement last night with Britain, on the one hand, and its six Commonwealth partners, on the other, preparing to issue separate lists of measures which they intend to take against South Africa.

As the leaders went into a night session to draw up the final communiqué, it was clear that the gap between the measures which Mrs Margaret Thatcher, the British Prime Minister, was ready to take and those demanded by the six other participants, could not be bridged.

It appeared virtually certain that the six would agree to adopt the list of measures drawn up at the last Commonwealth heads of Government meeting in Nassau last October, including a ban on air links, a ban on the import of fruit and vegetables and an end to double taxation agreements with Pretoria.

The six are now expected to set up a three-nation committee made up of Australia, Canada, and India to co-ordinate their measures with the US, the EEC and Japan.

The split has come despite an eleventh-hour concession by Mrs Thatcher earlier in the day.

Mrs Thatcher introduced voluntary bans on new British investment in South Africa and on the promotion in the UK of tourism there with immediate effect, although it is unclear as to how such measures would be enforced since they have no legal effect. Mrs Thatcher also said she would not stand in the way should the EEC agree next month on a ban of imports of coal, iron and steel from South Africa.

In spite of the shift in Britain's position, it appeared likely that, unless Mrs Thatcher made further concessions, the six other Commonwealth leaders from Australia, Canada, the Bahamas, India, Zambia and Zimbabwe would end their summit conference in London with an endorsement of a tougher package of measures. Such a package would be co-ordinated with the US, the EEC and Japan.

There was no sign, however, that Mrs Thatcher was prepared to offer more. Following a working lunch at Downing Street, Mr Brian Mulroney, the Canadian Prime Minister, and Mr Joe Clark his Foreign Minister, stayed behind for a private hour-long meeting with the British Prime Minister, apparently in an effort to persuade her to make further concessions. They are understood to have reported later to their colleagues that they made no progress.

The afternoon session ended with an agreement still apparently far away and last night's round of talks was seen as crucial for the success of the summit.

Mrs Thatcher said earlier that she was willing to envisage some further measures against South Africa as a "mark of disapproval" at Pretoria's failure to make adequate progress towards dismantling apartheid since the Commonwealth summit in Nassau last October. However, that did not alter her fundamental disapproval of economic sanctions.

Her most significant concession was that she "would not stand in the way" of the adoption by the EEC of a ban on the import of South African coal, iron, steel and krugerrands. These measures are due to be considered by the EEC the middle of September, when Sir Geoffrey Howe, the UK Foreign Secretary, is due to report on the outcome of the EEC's efforts to promote a political dialogue in South Africa.

Britain has already imposed a ban on the import of krugerrands and other gold coins from South Africa.

A British official said the concession had been made "in the interests of solidarity" within the Commonwealth. He said there would be "no enthusiasm" on Britain's part when the proposed measures were discussed at the EEC meeting, though Britain would accept the decisions of its Community partners.

The official said Mrs Thatcher "would not wish to defend" the effects of these measures on black families in South Africa. The Prime Minister herself told her colleagues there was no proof that sanctions would work, they would damage the South African economy and jobs would be lost. If sanctions were imposed, and this was the effect, she told the meeting, "I will say clearly I advised against it."

British officials appeared confused when questioned about the

Continued on Page 16

Mozambique guerrillas attack pipeline, Page 4; SA air traffic falls, Page 4

Sterling falls to record low against D-Mark

By George Graham in London

STERLING dropped yesterday to its lowest ever against the D-Mark as uncertainty in the oil market and anxiety over the meeting of Commonwealth leaders in London sparked further nervousness in the foreign exchange markets.

The sharpness of the fall, which took the pound below DM 3.04 at one stage, prompted the Bank of England to intervene in support of sterling, dealers said. This helped the pound to recover some of its lost ground.

Over the past two months, the pound has depreciated by more than 10 per cent against the D-Mark as the collapse of the oil price below $10 a barrel renewed investors' concern over the effects of cheaper oil on the UK economy.

The Government has appeared relaxed over this depreciation, taking the view that some adjustment of the exchange rate to lower oil prices was to be expected and could be allowed to take place without jeopardising the achievement of lower inflation.

Treasury officials have been at pains, however, to avoid the suggestion that the Government is indifferent to the exchange rate, a view which had begun to gain ground among some foreign exchange dealers.

The publication yesterday of the UK's official reserves of gold and foreign currency, showing an underlying fall of only $4m in July, reinforced the belief that the Bank had not attempted to halt the pound's slide last month through foreign exchange intervention.

It was felt that yesterday's intervention, which dealers viewed as more open than the Bank would usually undertake, was designed to reverse this view.

Overall, the official reserves fell by $105m last month to $19.08bn (£12.8bn), but much of the decline was accounted for by a valuation changes to the UK's contribution to the European Monetary Compensation Fund.

Interest rates remained steady yesterday in the money markets, unmoved by the 1 point drop in the Bank of England's sterling exchange rate index to 70.7.

The pound closed in London at DM 3.065, up from its lowest point of the day but still 3 pfennig below Friday's close. Against the dollar it fell nearly 1½ cents to $1.471.

The stock market was unsettled by sterling's weakness and the FT Ordinary share index lost 11.9 to close at 1,261.5. Government gilt-edged securities lost up to ⅝ point.

Irish currency problems, Page 2; Money markets, Page 27

Hopes rise of Opec accord to cut output

BY RICHARD JOHNS IN GENEVA

THE Organisation of Petroleum Exporting Countries (Opec) was last night edging towards an accord based on an Iranian proposal which would, if observed, limit collective output to about 16.7m barrels a day (b/d) over the next two months.

That would involve a cut of about 3.5m b/d from the level maintained in July as the free-for-all among member states intensified.

In a sudden switch of direction, a majority seemed to be in favour of all but Iraq reverting to strict observance of quotas agreed in October 1984.

That production sharing agreement was effectively, although not formally, abandoned last December when Opec, in some confusion, opted for a policy of trying to regain market share. This decision subsequently became bitterly contested as oil prices plummeted.

Observers were surprised that Sheikh Ahmed Zaki Yamani, Saudi Arabia's Minister of Oil, received the Iranian proposal positively. On Sunday, a government statement issued in Riyadh had said about Opec's predicament that "the most important factor is to raise prices gradually to an acceptable and reasonable level."

The Iranian proposal would require the 12 members to reduce the level of their output to a maximum of 14.8m b/d. Iraq's existing export capacity would limit its actual production to something like 1.9m b/d (including 300,000 b/d of domestic consumption) compared with 1.2m b/d under the old sharing agreement which progressively became more honoured in the breach than the observance. Thus the effective total would be 16.7m b/d.

The chances that the tentative deal would be strong enough to lay the basis for a lasting price recovery were clouded by continuing demands for a much higher basic allocation from the United Emirates, Ecuador and Quatar. The viability of an accord restricting increasingly financially squeezed governments to such limits seemed doubtful given the performance of the last year or so.

Last night, Mr Gholamreza Aghazadeh, Iran's Minister of Petroleum, explained the proposal. In no way, he said, did it mean an acceptance by Tehran of a bigger share of Opec's market for Iraq, its enemy in a conflict now approaching the end of the sixth year.

Its demand for two barrels for every one from Iraq remained unchanged.

Iraq had been excluded from the proposal as a means of breaking a deadlock and depoliticising an issue long hindering compromise.

Oil prices leapt yesterday afternoon as traders reacted warmly to fresh signs that Opec members might reach agreement on production cuts, writes Lucy Kellaway in London.

In London, Brent oil for September delivery rose by nearly $1 to about $10.58 a barrel, while in the US West Texas Intermediate rose by $1.50 to over $13; the highest price for several weeks. In both centres activity, which was near moribund all last week, picked up with fairly large volumes of oil changing hands.

Over the weekend there seems to have been a clear shift in sentiment in the market, which has caught some by surprise.

One oil broker commented yesterday: "Reports until late Friday from Geneva were invariably depressing. But to our astonishment we now find that Opec may be able to pull off a package of production cuts after all."

In practice, he said: "We have the facilities to control Iraq's production by ourselves." The comment clearly reflected Iran's growing confidence that it would be victorious in the war and that the regime of President Saddam Hussein would be overthrown.

Kuwait was the only member state to say publicly that it accepted the proposal in principle. The Government of the Gulf state, in a statement distributed in Geneva, stressed three heavy conditions for acceptance of the Iranian proposal.

They were that all member countries except Iran should "undertake to abide strictly and seriously" to their quotas; any violation confirmed by Kuwait's own means would release the state from any obligation; and a temporary arrangement in no way prejudiced its "rights" for a fair quota in any future negotiations.

The proposal was believed also to be acceptable – with the same kind of conditions – to Nigeria, Indonesia, Libya, Nigeria and Venezuela, and probably Saudi Arabia.

Delegates believed that UAE compliance would probably require heavy pressure on President Zayid from King Fahd of Saudi Arabia and Sheikh Jaber al Ahmed, the ruler of Kuwait. The leader of the federation has so far been totally inflexible in his claim for an output of not less than 1.5m b/d compared with an entitlement of 950,000 b/d under the defunct sharing agreement.

Canoes cuts N. Sea output, Page 2

Daimler-Benz goes ahead with DM 1.8bn car plant

BY JONATHAN CARR IN FRANKFURT

DAIMLER-BENZ, the fast-diversifying motor vehicle maker, plans to build its third major passenger car production plant in West Germany at a cost of some DM 1.8bn ($865m).

The long-awaited decision, announced yesterday, is aimed at relieving Daimler's chronic lack of capacity in the car sector – where demand has exceeded supply in all model ranges.

The new plant at Rastatt, in the southern state of Baden-Württemberg, will have a labour-force of around 7,000 when it is fully operational.

Daimler said it had been given pledges of infrastructure and other help from Rastatt and the state government and it would like to start building as soon as possible.

But the company could not say when formal construction permission might come through, nor which car models it would build at the plant.

Daimler already has car construction plants at Sindelfingen in Baden-Württemberg, with a labour force of 43,000 and – since 1984 – at Bremen in the north, with more than 10,000 employees.

Last year, the company's car production rose by 13.1 per cent to 541,000 and Daimler expects to boost the level again this year to more than 580,000 vehicles.

However, with demand soaring, not least for Daimler's medium-size models, it has become increasingly clear that the company needed to raise capacity even more.

Further extension of the Sindelfingen plant has been ruled out because the infrastructure in that region (near Stuttgart) is already being tested to the limit.

That left the options of either extending Bremen, which now produces about 100,000 cars a year, or erecting a wholly new plant. The executive board decided on the latter.

Although Daimler is likely to get help from the state government amounting to more than DM 120m, this is understood not to be the key reason for deciding on Rastatt

More important is that Daimler already has an operation at Rastatt and there are plenty of the (relatively depressed) commercial vehicle sector in the area. So a new plant could help greatly to safeguard existing jobs, as well creating some new ones.

There is bound to be some disappointment at Bremen, which has one of the country's highest unemployment rates. But Daimler feels it has already done much to relieve that problem by the constant extension of its activities there to date.

Daimler will have no problem financing the DM 1.8bn investment programme. It is one of West Germany's richest companies and announced earlier this year that it planned to invest about DM 13bn in the vehicle sector alone up to 1990. In the last 18 months it has also extended its activities by acquiring MTU (engines), Dornier (aerospace) and AEG (electricals).

Citroën puts faith in new small car, Page 17

ICL increases profits by 64%

BY DAVID THOMAS IN LONDON

ICL, the largest British-owned computer company, boosted its operating profits by 64 per cent in the first half of the year.

ICL's growth in profits, to £43.2m ($63.5m) from £26.3m in the same period last year, was one of the main reasons behind the improvement in half-yearly results announced yesterday by STC, the computing and telecommunications group, which is ICL's parent.

ICL, which was taken over by STC in 1984, accounted for 74 per cent of STC's operating profits. Its turnover of £565m was 63 per cent of STC's turnover in the first half of this year.

STC did not publish separate profit figures for its other businesses which are mainly concerned with telecommunications, submarine systems, electronic components, electronics distribution and defence.

STC said that demand for ICL's mainframe computers grew strongly, particularly for the Series 39 mainframe launched last year and for the combined hardware and software computer system, known as the DRS 300, launched in April.

ICL's growth also reflects its strategy of concentrating on particular market segments, such as retailing, public administration and manufacturing.

Overall, STC announced half-yearly pre-tax profits of £49.2m, up from £23.4m last year.

The group has been engaged in a major cost cutting and disposal programme, with employment falling by 12,500 in the past year to 38,100.

The disposal programme, now almost complete, generated £77m in cash in the past six months.

However, Lord Keith, STC's chairman, warned: "Many problems remain, which will demand constant management attention to ensure the longer-term future of the company."

City of London expectations of STC's interim results had been rising recently. The results declared yesterday were at the lower end of these expectations and the share price fell 10p to 136p.

Lex, Page 16; Details, Page 20

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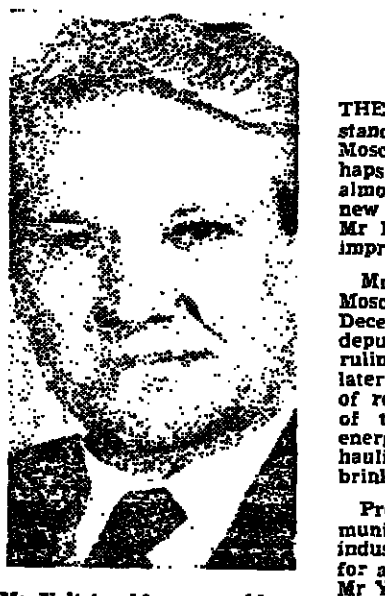
EUROPEAN NEWS

New broom sweeps overcrowded capital clean

Our Moscow Correspondent profiles the city's leader



Mr Yeltsin: blames problems on corruption and inefficiency in the past

THE STREET cafes and fruit *stands springing up around* Moscow this summer are perhaps the most tangible sign for almost 9m *Muscovites that the* new man in charge of their city, Mr Boris Yeltsin, is trying to *improve its services.*

Mr Yeltsin, appointed to head Moscow's Communist Party last December and elevated to deputy membership of the ruling Politburo two months later, has approached his task of restoring the dented image of the capital with all the energy of Mayor Ed Koch hauling New York from the brink of bankruptcy.

Previously head of the Communist Party in the Urals industrial centre of Sverdlovsk for almost 10 years, 55-year-old Mr Yeltsin has astutely blamed most of Moscow's problems—from overcrowding to demolition of architectural landmarks—on corruption and inefficiency in the past.

In this way, as in others, his efforts in Moscow reflect what Mr Mikhail Gorbachev is doing in the nation at large. As Mr Gorbachev blames mistakes on the now-maligned Mr Leonid Brezhnev, so Mr Yeltsin scolds his predecessor Mr Viktor Grishin, a Brezhnev associate retired amid a housing scandal well-documented even in Moscow's state-run press.

In January, with Mr Grishin sitting in the hall, Mr Yeltsin gave a scathing appraisal of Moscow's failing services. Since then, he is reported to have ridden the crowded subways and visited the jammed shops to see for himself the food shortages he has branded the shame of Moscow.

He has spoken publicly of the sick lying in the corridors of overcrowded hospitals, set up zones to protect historic buildings, and has urged police chiefs to fight alcohol and drug abuse.

Builders have been told to be very open with the citizenry before any more multi-million rouble projects like a planned World War II memorial park are begun, to avoid vociferous controversy.

In a recent sarcastic speech, Mr Yeltsin offered further remedies for Moscow's problems. Naming both culprits and heroes, he showed how broadly he has acquainted himself with city affairs.

While admitting that it is difficult to draw a line between what is important and what is secondary, because Moscow's problems are so all-embracing, Mr Yeltsin identified the key difficulty as that of manpower. For 15 years, he said, factory managers delayed mechanization and yet managed to meet their plan targets by importing workers from the provinces.

Since 1970, more than 700,000 workers agreed to toil in city factories for between five and seven years in exchange for the coveted documents securing the right to live in the capital.

When their contracts were up, Mr Yeltsin revealed, at least half of these workers sought other, easier jobs, staying in Moscow and costing the city 10bn roubles in housing and other resources. The city is 1.2m people ahead of the population level planned for the mid-1980s.

Mr Yeltsin has decreed that the practice of importing labour must stop and a total of 40,000 jobs must disappear in the next five years. By 1990, industry is to reduce manpower by 5 per cent, 128 enterprises will be moved out of the city, and planned new factories will not be built.

Scientific institutes which planned to increase manpower by 50,000 have been ordered to *trim their labour force by 7 per* cent.

Transport workers must get another 25 miles of underground built and builders must put up 300,000 new flats without adding to the workforce, *he has said,* while admitting that the targets of raising industrial production by 19 per cent *and increasing* productivity by 21 per cent by 1990, are difficult ones.

In the can-do mode of Mr Gorbachev, however, Mr Yeltsin suggested that targets could be met if the right people are found to do the job. Those he claimed that were not making the grade included all the corrupt. Even the Foreign Ministry's diplomatic institute, where he said 70 per cent of students were the offspring of ranking officials, was criticised.

Products must be of world standard, *he insisted, scoffing at* one point at an underperforming comrade who, he suggested, should organise a *public reading* of recent Communist Party resolutions on *improving quality.*

It remains to be seen whether Mr Yeltsin's brand of energy *and authoritarianism can solve* Moscow's problems. As he acknowledged, Muscovites *expect more than a few extra* cafes in the city centre.

"We see that people are impatient," he told his comrades. "They await a quick turnaround in affairs . . . and we cannot reproach them for their demands for bolder and swifter change."

Sparks fly after Irish airline fails to take off

By Hugh Carnegy in Dublin

THE founder of Ireland's Knock airport, Mgr James Horan, who died last week, has left behind a row between the airport management and a new airline which originally planned to fly scheduled services to Britain but which has never got off the ground.

The 74-year-old priest, who raised I£12m (£11.4m), £9m of it from the Government, to build the unlikely airport on a remote hilltop in County Mayo, near the Marian shrine at Knock, died while on a pilgrimage to Lourdes.

As huge crowds gathered at the airport yesterday to greet the return of his body, which will be buried at Knock today in what is expected to be one of the biggest funerals Ireland has seen, airline and airport officials were engaged in a bitter feud.

The dispute revolves around the role of Celtic Air, *a new* airline which was given permission by the Irish Communications Department to fly scheduled services to Stansted and Manchester. Celtic Air also has a 10-year exclusive baggage-handling contract for Connaught Regional Airport, as it is offici*ally known.*

Injunction sought

A dispute over ownership of the airline has prevented sufficient funds being raised to get it into the air. On the ground the airport company has applied *for an injunction, due to* be heard in the High Court tomorrow, seeking to have Celtic *Air's baggage-handling* subsidiary removed from the airport. In an affidavit, Mr Maurice Buckby, the English airport director, alleged Celtic Air was in breach of contract by not providing sufficient staff, equipment or insurance cover.

Mr Danny Higgins, chief executive of Celtic Air, denies the charges and alleges that his company is the victim of an attempt to oust it from Knock.

Getting flights going has been delayed by disputes over the ownership of Celtic Air. Mr Higgins said a preliminary *agreement* was signed when the airport opened on May 30 with what he described as a group of investors close to the airport company under which he would sell 51 per cent of the airline and 70 per cent of the handling company for I£400,000.

The deal broke down when they later insisted on an 80 per cent share of both. The issue remains unresolved, leaving the airline with a lack of funds.

Mr Higgins said there were other problems at the airport, notably that runway and approach lighting had yet to be *installed, and that it had no* permanent customs presence and no duty free status. "The *whole thing is a mess," he said.*

However, Mr Buckby, who heads the British Airports international team contracted to run the airport for 10 years, said the future of the airport was assured.

The death of Mgr Horan, the driving force behind it, was a "terrible blow" which meant difficult months ahead. But it had reinforced the determination of the airport company and local people to make it a *success.*

"We will be very busy next year. We will not break even *this year,* but we will next year," he said.

Break even

In the first two months of operation more than 2,000 charter passengers had used the airport, including the first transatlantic flight to Knock by Transamerica Airlines which brought in 250 visitors last week. More than 2,000 passengers were expected this month. Earlier, BAI estimated about 250,000 passengers were needed a year for the airport to break even.

With Celtic Air crippled, the main hope for scheduled ser*vices is Euroair, a UK-based* charter airline which has applied for scheduled flights to Luton, Coventry, Birmingham, Manchester and Liverpool.

A company called Destination Knock has already been using Euroair aircraft to fly weekly charters from Luton and Coventry with enough success to make them increase the number of flights per week to four. Destination Knock estimates there is sufficient demand to support three weekly scheduled flights from the London area and one each from the Midlands and the north on 48-seater aircraft.

Soviet Union and Israel to hold talks on consular links

BY OUR MOSCOW CORRESPONDENT

THE SOVIET UNION and Israel confirmed yesterday that preliminary talks will take place in Helsinki later this month aimed at the re-establishment of consular links between the two countries broken off by Moscow during the 1967 Arab-Israel war.

The Soviet foreign ministry spokesman Gennady Gerasimov said yesterday that the two sides will meet in Helsinki to *discuss the framework of the* negotiations, then the Soviet delegation will travel to Tel *Aviv for detailed talks on* resuming consular ties.

Mr Gerasimov said the talks do not portend any change in the Soviet Union's policy towards Israel, and that full diplomatic relations will not be renewed until there is a negotiated settlement to Middle East conflicts.

The Kremlin has said in the past that it will not renew full diplomatic ties with Israel until it gives up territory it occupied in the 1967 war. But Mr Gerasimov said reopening consular ties would help each nation *serve its interests in the other's* country.

Andrew Whitley adds from Tel Aviv: Mr Shimon Peres, the Israeli Prime Minister, yesterday told members of the Knesset, Israel's parliament, that middle-ranking officials would hold talks with their Soviet counterparts in the Finnish capital. Consular issues, such as travel, communications and property rights would be discussed.

The planned meeting is said here to be at the Soviet initiative, *after a request by Moscow* to survey property in Israel owned by the Russian Orthodox Church since before the Russian revolution.

But neither the possibility of a second round of talks in Tel Aviv, nor the possibility that fully fledged consulates may be established, could be corroborated in Israel, where officials were clearly taken aback by the far-reaching Soviet statement.

Mr Peres told the Knesset Foreign Affairs and Defence Committee that Moscow was playing down the possibility of renewed diplomatic links for fear of upsetting its friends in the Arab world.

For once Moscow appears to have the initiative in the cat-and-mouse game the two countries have waged for years over the subject of diplomatic relations — and Jerusalem is struggling to cope with its implications.

Prominent among the domestic implications for the Israeli Government of any discussions with the Soviet Union is the sensitive subject of *Soviet-Jewish emigration,* which has dropped to an all-time low.

And yesterday the powerful Soviet *emigré lobby* in Israel was quick off the mark to get its most famous member, Mr Anatoly Scharansky, who left the Soviet Union six months ago, to advise the National Unity Government without preconditions guaranteeing Jewish emigration.

Conoco cuts North Sea oil output

By Max Wilkinson, Resources Editor

CONOCO has become the first major oil company to announce a cut in North Sea oil production because of the *depressed* price of crude.

The cut in its Kotter and Logger oil fields in the Netherlands sector is small. It amounts only to a few thousand barrels a day, too little to have any effect on the world balance of supply and demand or even on prices in the Brent crude market.

The 20 per cent reduction on the 23,000 barrels a day output from the two fields was announced by the company along with a series of economy and staff-cutting measures. It was said to have been instituted to "maximise the economic potential" of the fields.

However, even with the crude price in the $8-$10 a barrel range, the other major North Sea operators have taken the view that it makes economic sense to produce at the maximum rate rather than leave oil in the ground.

Conoco, which has 25 per cent of the Kotter field and *30 per cent of Logger, says it* can make the cuts without any damage to future production.

Unlike some other fields, the future production profile is scheduled to decline steeply, so Conoco could make up the lost production rapidly when the oil price rose.

Malta in school bill agreement

THE MALTESE government has agreed to settle 56 per cent of an £M858,000 (£1.4m) bill facing the island's Roman Catholic Church for providing free education at its secondary schools during the past and forthcoming scholastic years, writes Godfrey Grima in Malta.

Last year the government tried to force church schools to dismantle their fees system. In April the Vatican gave in to the government's wishes by agreeing to turn church schools into free institutions gradually by 1987.

Belgium banks agree interest payments plan

BY TIM DICKSON IN BRUSSELS

BELGIAN banks and other financial institutions have agreed a complex plan to limit interest payments on a large portion of their outstanding Government loans.

The move is a significant element of the coalition Government's campaign—the so-called "austerity package"—to knock BFrs 195bn (£2.4bn) off its spending for next year. This has aroused strong political opposition but according to Government officers last night *is now almost complete.*

Under the new scheme, which is conditional on the Government successfully achieving other parts of the programme such as cuts in educational spending and social security ayments, the banks will receive no more than 8 per cent in direct interest on long-term loans.

Interest above that figure will be "paid" in the form of eight-year Treasury bonds, themselves carrying interest at relatively modest levels.

Altogether the banks and other financial institutions hold about BFrs 1,400bn of the Government's BFrs 2,300 bn total debt.

Much of the lending was negotiated *at a time of much higher* inflation when interest rates were of the order of 12-14 per cent.

Two different schedules have been drawn up with the agreement of the banks, allowing for bond issues of between BFrs 99bn and BFrs 108bn over the next five years. The formula provides for a saving of about BFrs 35bn in next year's budget.

Interest on the new bonds will vary according to the year in which they are issued, starting at 7 per cent for this year with revisions in line with market rates in subsequent years.

One quarter of the principal will be paid at the end of the second year, a further 25 per cent at the end of year four, *and the rest at the end of the* eight-year term.

The coalition Government of Mr Wilfred Martens first announced its intention to reschedule part of its long-term debt when elected last October, a pledge it repeated when the austerity package was announced earlier in the summer. The final settlement follows weeks of tough negotiations.

The Belgian banks yesterday were claiming that the agreement demonstrated their willingness to make sacrifices.

The cost to the institutions concerned has been estimated at BFr40-45bn over the next seven years, though the banks point out that much depends on the future direction of interest rates.

The banks feel that the sacrifice is worthwhile in the cause *of reducing Belgium's public* debt, though some observers feel that the banks' share in the *austerity will ultimately be less* than currently claimed.

OECD predicts weakening in Finnish economy

BY KEVIN DONE IN STOCKHOLM

AFTER *several years of strong* growth, the Finnish economy is expected to weaken over the next two years and fall behind the rest of Europe.

According to the latest survey of Finland by the Organisation for Economic Co-operation and Development (OECD) growth in Finland's gross domestic product (GDP) in 1986 and 1987 could lag behind the average European growth rate for the first time since 1978.

"Prospects for the immediate future are clouded by the unwinding of the exceptional influences which favoured Finland in recent years," says the report.

With the *exception* of 1981, the Finnish economy has shown a "remarkable" stability throughout the 1980s with a high and stable growth of output and employment by European standards.

Compared with the sharp fluctuations of the 1970s, GDP growth in the four years from 1982 to 1985 has been steady at about 3 per cent a year, but in 1986 and 1987 the OECD expects growth to slow down to about 2 per cent a year.

At the same time unemployment is expected to edge up to 7 per cent next year from 6.3 per cent in 1985.

Inflation, which in recent years has exceeded the OECD average, began to fall significantly last year and is expected *to drop to a rate of 3.5 per cent* in both 1986 and 1987 compared with 6.5 per cent last year.

Finnish export volumes are expected to remain flat both this year and next. Sales to the Soviet Union have been hit by the big drop in oil prices and Finland has been losing market share in Western markets due to its worsening price competitiveness.

Finland has a special bilateral trading arrangement with the Soviet Union under which trade must balance over the medium term. Its main import from the Soviet Union is energy, chiefly oil.

In the aftermath of the second oil shock the bilateral trade with the Soviet Union, buoyed up by rising oil prices, helped to sustain the expansion of Finnish exports when demand was falling from western markets.

Finnish exports to the Soviet Union were also helped by the strong dollar, because the rouble has tended to follow the dollar, and the strength of the US currency also boosted the international competitiveness of the Finnish forest products industry.

With little help from exports, the main stimulus to growth over the next two years is expected to come from domestic demand.

The OECD says that Finnish industry is coming under increasing pressure to restructure, as sectors previously sheltered by favourable Soviet trade and a high dollar are exposed to a switch from Eastern to Western markets.

Currency problems will continue, says Dublin

BY HUGH CARNEGY IN DUBLIN

IRELAND WILL be prone to the currency problems which caused the weekend devaluation of the Irish pound as long as sterling remains outside the European Monetary System, Mr John Bruton, the Irish Finance Minister said yesterday.

The 8 per cent devaluation of the punt within the EMS was sought after it had reached 95 British pence compared with 78p a year ago. Yesterday, markets in Dublin were closed for a bank holiday but the punt was quoted at around 91p in London. Ideally, Dublin would like to see it in the mid-80s.

The sterling rate is crucial to Ireland because of its heavy trade with Britain, which accounts for more than 30 per cent of Irish exports. This trade was seriously jeopardised by the fall of sterling, which made Irish goods more expensive and led to falling order books and weakening exports.

The devaluation, the first unilateral adjustment by Ireland since it joined the EMS in 1979, should alleviate the recent consequences of this structural problem of trading heavily in currencies outside the EMS. But Mr Bruton said it did not solve the difficulty. "We have that problem and we are certain to have it as long as sterling is not in the EMS," he told the Financial Times. A further devaluation would not be sought, however, even if sterling continued to fall.

Dublin expects a devaluation of the Irish green pound to follow, aiding its large agricultural industry, but probably not by as much as 8 per cent because a green pound devaluation took place in April following an earlier EMS realignment in which the main punt rate was unchanged.

NEW EMS CENTRAL RATES AND INTERVENTION POINTS FOR THE IRISH POUND

(Rates in units of currency per Irish pound in brackets)

			Upper	Central	Lower
Deutschemark	100	=	35.4358 (2.8220)	36.2405 (2.75934)	37.0644 (2.6980)
Dutch Guilder	100	=	31.4465 (3.1800)	32.1644 (3.10903)	32.8940 (3.0400)
Danish krone	100	=	9.5683 (10.4511)	9.78604 (10.2186)	10.0087 (9.9913)
Belgian franc	100	=	1.7348 (57.6420)	1.77431 (56.3598)	1.8147 (55.1060)
French franc	100	=	10.8825 (9.1890)	11.1299 (8.98480)	11.3830 (8.7850)
Italian lira	1000	=	0.487799 (2050.03)	0.517943 (1930.71)	0.549952 (1818.34)

Ecu 1=I£0.764976

Source: Central Bank of Ireland

Swiss health authorities defend radiation rules

SWITZERLAND'S health authorities yesterday defended plans for controversial new radiation guidelines, saying the country would not become a dumping ground for contaminated food, *Reuter reports from Berne.*

The federal government wants to rush the guidelines into *effect next month, ahead* of radiation expected in food harvested and animals slaughtered *following* the Chernobyl nuclear power plant accident.

The Federal Office of Health conceded that the planned guidelines had been criticised by some cantonal health officials as being too lax.

The guidelines, 370 becquerel per kg (2.2 pounds) for milk and baby foods, 600 becquerel for other foodstuffs, were dis*closed on* Sunday in a newspaper article which said health officials from the cantons *planned* to suggest much stricter rules, especially for food for children.

RUMOURS OF DEVALUATION PROMPT CENTRAL BANK'S MOVE

Finland boosts call money rate

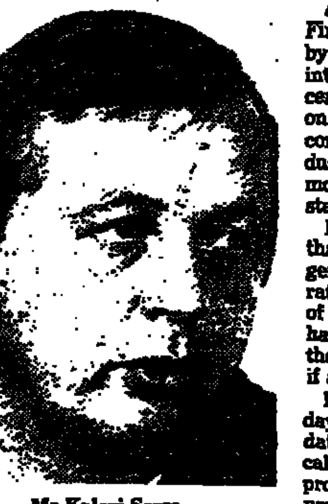
BY OLLI VIRTANEN IN HELSINKI

PERSISTENT devaluation rumours and consequent depletion of foreign currency reserves have prompted the Bank of Finland, the country's central bank, to increase call-money rates. Finland's currency reserves have fallen from about FM 15bn ($3bn) at the beginning of June to FM 10.1bn at the end of July.

The call-money rate, which, in effect, sets the price for all short-term borrowing, rose from 10.8 per cent on Friday to 12.4 per cent yesterday. Most analysts expected the rate to rise still further, possibly to 17 per cent, by the end of this week.

The three-month Euro-markka sold at 15 per cent on Monday. Meanwhile, commercial banks in Helsinki said that importers were still worried about the markka.

The present turmoil goes back to the middle of May when Finland devalued the currency by 2 per cent, following international speculation after *Norway had devalued* the krona by 12 per cent. Many observers then regarded the Finnish *adjustment as too small* and predicted a devaluation of about 5 per cent in the autumn. This led to constant depletion of foreign reserves, and at the end of July the central bank decided it must intervene.



Mr Kalevi Sorsa

Blaming "currency consultants *and columnists" for irresponsible* speculation, Mr Rolf Kullberg, governor of the central bank, requested and received full powers from the bank's supervisory board to adjust the call-money rate. Even without those powers, the rate could have been raised to 22 per cent.

At the same time, the Bank of Finland eased the money markets by abolishing the maximum mean interest rate imposed on banks. The central bank also lifted restrictions on long-term foreign borrowing by companies in the manufacturing industries and shipbuilding. These moves were also clearly aimed at stabilising the markka.

Mr Kullberg has made it clear that the central bank is now "trigger-happy" with the call-money rate. The bank's director in charge of foreign exchange is reported to have practically *moved his office* to the dealing room to be ready to act if and when reserves fall.

No analyst was prepared yesterday to speculate on a devaluation date, but most were sure that the call-money rate would rise again, probably followed by the base rate, *now at 8 per cent.*

Despite Finland's declining trade with the Soviet Union and slightly *higher inflation rate than in other* European OECD countries, the main reason for the present currency turbulence is simply the small size of the Finnish economy.

One commercial banker explained that foreign investors had taken advantage of Finland's high interest rates some 12 to 18 months ago. When the interest rates came down, many of them cashed in their holdings, and these moves could easily make a dent in Finland's currency reserves. "The markka is an easy target for speculation," said the banker.

The Bank of Finland has been widely criticised for making known in advance its plans to raise interest rates.

● Mr Kalevi Sorsa, Finland's Prime Minister, said that any devaluation of the markka would speed up inflation and add to inflationary pressure by triggering off escalator clauses in nationwide pay deals that are tied to the cost-of-living index, Reuter reports from Helsinki.

Inflation was running at an annual 3.3 per cent in June, and Finnish politicians fear that exports will suffer unless it is brought down nearer to rates in competitor countries.

"We are not going to play leapfrog with prices and wages. The Government and the Bank of Finland are of one and the same opinion about this and will act accordingly," Mr Sorsa said. There were no fundamental economic reasons for any change in the value of the currency, and he hoped business would realise this.

FINANCIAL TIMES

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Santa Fe to appeal anti-trust ruling

BY TERRY DODSWORTH IN NEW YORK

SANTA FE Southern Pacific, the US railway and property group created in a merger more than two years ago, is planning to appeal against an anti-trust ruling demanding a break-up of the railway assets of the company.

The decision by the Inter-state Commerce Commission (ICC) to block the amalgamation of the railway lines has caused a furore in the transport industry and stunned the company.

It is the first time in 20 years that the ICC has turned down a large-scale merger in the industry, and Santa Fe Southern Pacific was so confident that it would be asked to make only cosmetic changes in the deal that it had begun to repaint locomotives from the two constituent companies in the same livery.

Anti-trust lawyers are divided on the significance of the ICC's judgment, which comes at a time when the authorities are generally moving in the direction of a more liberal interpretation of the US's monopoly regulations.

Some argue that it may be more difficult to create larger railway groups in future, casting doubt over the proposed acquisition of the Government-owned Conrail group by Norfolk Southern to create a big grouping on the east coast. But most regard the ICC decision as an aberration which is unlikely to stop increasing consolidation in the transport sector.

Only a few days ago, for example, the Transportation Department decided to allow a proposed merger between Northwest Airlines and Republic Airlines, both operating out of Minneapolis, despite objections from the Justice Department.

In its decision on Santa Fe-Southern, the ICC said that it would not accept the merger because of its "parallel" nature. Both railways operate mainly in the south-west of the US, on routes which swing down California and then across the southern edge of the Rocky mountains to Texas before heading north to St Louis and Chicago.

The company had argued for the merger on the grounds of the weak financial state of the Southern Pacific line, which competes with road transport for general merchandise.

Mr John Schmidt, chairman of the new group, described the ICC decision as "not in accordance with the evidence."

The other elements in the Santa Fe Southern Pacific merger, a $6.4bn (£4.3bn) deal which brought together substantial energy, natural resources and construction interests, are not affected by the ICC ruling. These parts of the two companies have already been combined.

Tim Coone in Buenos Aires on a negotiating battle between the Government and foreign companies

Argentine oil exploration plans hit by price collapse

THE RECENT collapse in world oil prices, while possibly only temporary, may nonetheless have a lasting impact on the future of Argentina's oil and gas exploration programme.

Most crucial is whether the Government is prepared to make important concessions to prospective foreign oil companies or whether it tries to ride the oil price recession in the hope of obtaining better exploration terms.

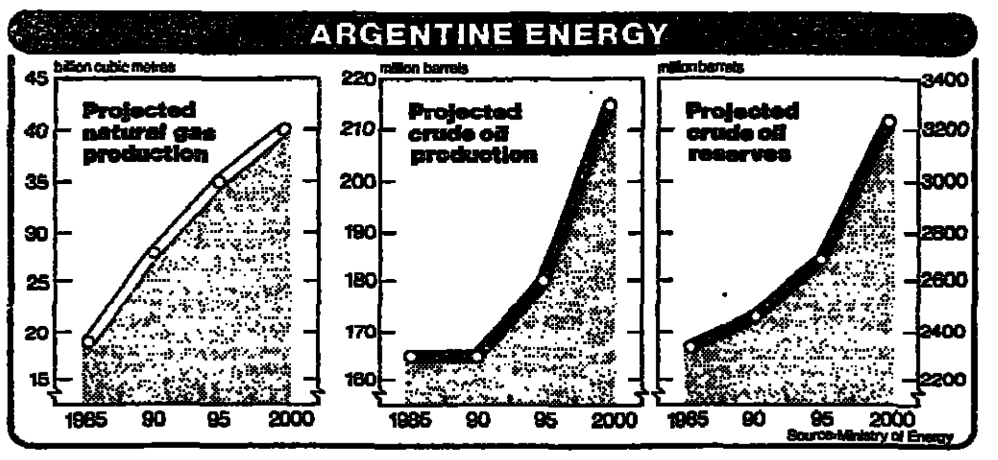
The dilemma is straightforward. Argentina's oil and gas reserves are being exhausted at twice their rate of discovery. There are no resources for the state oil company, YPF, to expand exploration, and foreign oil companies are unenthusiastic about getting involved in risky exploration contracts under present market conditions.

In March last year, President Raul Alfonsin announced to a gathering of international oil industry executives in Houston, Texas, that Argentina is to be opened up to foreign investment to expand oil production.

The so-called Houston plan was seen by the country's economic planners as a method of financing the restructuring of the economy, remodelling the nation's outmoded industry and of making the $52bn foreign debt burden more manageable.

Speaking shortly before the launch of the first licensing round of the Houston plan last September, President Alfonsin said that the new oil policy "will constitute without a doubt, a prominent contribution to the take-off of the entire economy."

Production presently stands at 165m barrels a year of oil and 19bn cubic metres of gas, making Argentina self-sufficient in oil and nearly so in natural gas. The national energy plan until the year 2000, on which the Houston plan is based, envisages a doubling of gas production as an industrial feedstock, and a 30 per cent increase in oil production. Oil exports would become an important new foreign exchange earner.



To achieve these aims, 3,000 exploratory wells need to be drilled, 18,000 development wells sunk and 800,000 km of seismic lines have to be measured, an investment of $25bn over the next 14 years.

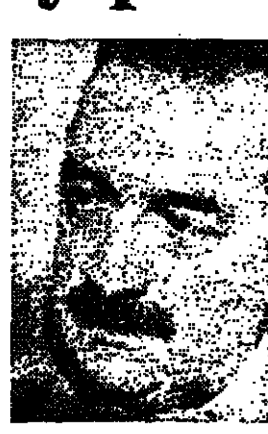
The Houston plan was drawn up in the balmy days when North Sea crude was changing hands at almost $30 a barrel. With prices now less than $9 per barrel and still falling, the Government's negotiations with the foreign oil companies are under strain.

A total of 165 blocks, 15 of them offshore, are to be offered in five licensing rounds which will cover most of Argentina's unexplored sedimentary basins. The first 32 blocks placed on offer last September attracted an offer of only $40m of investment from a foreign consortium led by Exxon.

The closure of the second licensing round has been postponed until the end of October so that the terms of the exploration contract with the Exxon consortium can be finalised. This contract will be the model for all the others on the remaining 133 blocks.

The fall in world oil prices could not therefore have occurred at a worse time. The oil companies are driving a hard bargain which would produce benefits for them when the oil price rises once again. If Government remains adamant, the exploration programme will stagnate.

The Houston plan was drawn up in the balmy days when N. Sea oil was almost $30 a barrel



Alfonsin—hopes dashed

Agreement remains elusive for two reasons. Firstly, YPF, the nominal owner of any crude oil extracted, is proposing to pay the extracting company in dollars, crude or refined products, at YPF's discretion.

The companies are insisting that payment be in either dollars or crude as the market for sub-products is very poor. Secondly, YPF reserves the right to declare a discovery commercialy viable and then to take up to a 50 per cent share in its development.

One foreign oil company executive said: "We are asking not only for better terms given the poor market conditions, but also for the best geological areas. It is the only way to offset the low prices." The areas on offer are of medium and high risk, which has led to accusations that YPF is keeping the best areas for itself. YPF is also accused of being grossly inefficient.

Mr Rodolfo Otero, the president of YPF, says that Argentina's terms are similar to those on offer anywhere in the world. "We are not hiding anything up our sleeve and as for inefficiency, we simply lack the resources to maintain our exploration effort or adequately to develop the areas already explored."

The June agreement between Argentina and the International Monetary Fund resulted in a restructuring of YPF's finances, which has cut its exploration budget by a third and forced it to make economies. YPF is Argentina's largest company and has a debt of over $5bn, one tenth of the national total. It presently produces 70 per cent of Argentina's total oil and gas.

Mr Otero is not prepared to be pressured into conceding the low risk areas, or areas it already has under production, to foreign companies and rejects their arguments based on low world oil prices. "The big oil companies take a longer term view of prices. They know the prices will go up again," he says. YPF is prepared to give up areas it has abandoned or in which it has no plan of action, but not the areas it already has under production.

Everything now hinges on the Exxon negotiations. Despite the differences, Mr Otero remains confident. "In four to five years exploration will be taking place in practically all the parts of the country that have not yet been explored," he predicts with a disarming confidence.

His optimism is not shared by private oil industry executives unless better terms are offered and the companies are in no rush to make compromises. After all they can afford to wait, and they know Argentina cannot.

Subsidised US wheat sales 'will hit' debt repayments

ARGENTINA has warned that the sale by the US of 4m tonnes of subsidised wheat to the Soviet Union would "affect" the country's capacity to pay its foreign debt, writes our Buenos Aires correspondent.

Until recently the Soviet Union has been the biggest customer for Argentina's grain exports, a position achieved following the US embargo on grain sales to the USSR following the latter's invasion of Afghanistan in 1980.

Grain exports comprise between 40 and 50 per cent of Argentina's total exports each year and are a critical factor in producing a substantial trade surplus ($4.6bn in 1985) with which Argentina services it's foreign debt now in excess of $50bn.

Mr Mario Brodersohn, the Finance Minister, said Argentina's trade surplus would reach $3bn this year "with difficulty." A further warning has been made by Mr Lucio Reca, the Agriculture Minister, who said that the US wheat sales may also undermine Soviet agreements to buy 4.5m tons per year of other grains, mainly maize and soya, from Argentina.

Mr Brodersohn said it did "not make economic sense" for the big creditor countries to simply transfer the errors in their economic policies to the debtor countries. Argentina's priority in future negotiations over its foreign debt would therefore focus "not on greater indebtedness through new international loans but on concessions in the interest rates," he said.

Peru debt moratorium extended for three months

THE PERUVIAN government is extending for three months a moratorium on repayment on the principal of an estimated $4.4bn (£3bn) owned to private foreign banks, Reuter reports.

The public sector has not repaid any principal on its medium and long-term debt to private foreign banks since March 1983. The last rollover announcement on May 7 postponed repayment until August 4 this year.

A presidential decree published at the weekend in the official gazette unilaterally rolled over principal until November 4, 1986, and set a ceiling it would pay on interest on the loans.

President Alan Garcia said last week his year-old government paid only $28m on its medium and long-term debt owed to 280 or so private foreign bank creditors.

Peru has arrears of over $500m in interest on that debt, estimated at $3.3bn, bankers said. It has been current on interest on its short-term trade debts of about $1.05bn to private banks.

Creditors could capitalise any unpaid interest in negotiations with private foreign banks, the decree said. The decree also set ceilings on maximum interest rates on debt repayments.

On medium and long-term debt it fixed a ceiling of 1.75 per cent above the London Interbank Offered Rate (Libor), a widely used benchmark in international borrowing.

Peru would pay a maximum of 1.25 per cent above Libor or 1 per cent above the US prime rate on short-term working-capital credits, which officials say is worth about $800m.

The decree set no ceiling on interest payments on short-term trade-related credits worth about $250m.

Peru has a total foreign debt of about $14bn, the sixth biggest in Latin America.

Republican claims support for Reagan third term

BY REGINALD DALE, US EDITOR IN WASHINGTON

MR Guy Vander Jagt, a leading Republican Congressman from Michigan, claims to have detected "a groundswell of popular support" for a plan to persuade President Ronald Reagan to run for a third term in the White House in 1988.

There is as yet no sign, however, that Mr Reagan, or perhaps more importantly his wife Nancy, favours the suggestion.

Mr Vander Jagt, who is chairman of the National Republican Congressional Committee, says Mr Reagan is one of the greatest American Presidents of all time "and I want to keep him on the job." Democrats, and even some of his fellow Republicans, have cynically dismissed his proposal as at best unrealistic, but nevertheless a great fund-raising idea.

If he is as serious as he claims to be, Mr Vander Jagt faces a stiff obstacle course. First, he has to persuade two-thirds of both Houses of Congress to vote for repeal of the 22nd amendment to the constitution, which stipulates that nobody can be elected President more than twice.

Alternatively, he could try to get two thirds of the 50 states to call a constitutional convention to do the job. In either case, three quarters of the states would have to ratify the reform.

Mr Reagan has said that he favours repeal of the amendment, which dates from 1951, on the grounds that the people should be free to choose their president without restrictions. He has also, however, been careful to say that he would not back a repeal attempt that applied to himself. Leading Democrats say that they would agree to the reform in principle.

On political trips around the country recently, Mr Reagan—already, at 75, the oldest president in history—has been greeted by the cry of "four more years," an echo of his 1984 campaign.

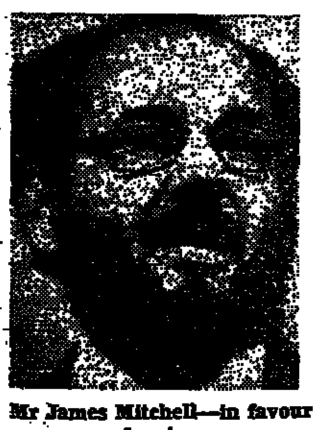
The cynics, however, have noted that Mr Vander Jagt's repeal petition, circulated to 300,000 people was accompanied by a fund-raising request for at least $20 a head.

Caribbean leaders think again of forming a political union

BY CANUTE JAMES IN KINGSTON

TWENTY FOUR years after the first effort collapsed under the weight of emergent nationalism and petty parochialism, political leaders of the English speaking Caribbean are again contemplating a workable political union of their small states.

Like the ill-fated West Indies Federation which was created in 1958, and which fell apart four years later, thought of a new political union is being fuelled by general acceptance that the small Commonwealth Caribbean states need a common political umbrella to strengthen their effort at economic co-operation being attempted through the Caribbean Economic Community.



Mr James Mitchell—in favour of union

"Let us get together and stop being mere villages and become one big nation capable of representing in the world," Mr Vere Bird, Prime Minister of Antigua, says in support of a new federation. "When we lump all our territories and population together no one will be able to consider us as mere specks on the map."

The idea has found support from Mr James Mitchell, Prime Minister of St Vincent, who considers political union for the region as being "absolutely necessary," and admits: "I was not in favour of independence for St Vincent separately."

The English speaking countries of the region, including Belize in Central America and Guayana in South America, have a combined population of 5m, but it appears any likely federal undertaking will involve mainly the smaller countries of the eastern Caribbean archipelago. Mr William Demas, President of the Caribbean Development Bank, has suggested that the seven island nations of that region could begin working towards a political union to be formalised by 1995.

But even in the eastern Caribbean, as in the larger and economically better endowed states such as Jamaica and Trinidad and Tobago, the ghost of the late federation continues to haunt. "The people must, in fact, want this to happen," says Miss Eugenia Charles, Prime Minister of Dominica. "The people, not even at the time of the federation, knew enough to want it. I do not think it could be a reality now. I think we have missed the boat."

The federation was killed by the secession of Jamaica and Trinidad and Tobago which voted to become independent states. Mr Edward Seaga, Jamaica's Prime Minister, says he will have no part in the new effort. "We are beating a dead horse," he says bluntly. "I am not a believer in the political integration movement. It is an echo of the past and we will not live to see it happen."

Guyana was not a member of the federation, but Mr Desmond Hoyte, the President, says a new political union is not impossible. He warns however that "We will have to proceed in a patient and methodical way to secure its popular acceptance."

Government officials and diplomats in the region are united in the belief that a new political union would have to overcome the very problems which caused the death of the last — strong nationalist tendencies which have increased since political independence, reluctance of political leaders to be seen to be diluting any of their sovereignty, and widely divergent views on fundamental matters such as economic and foreign policy.

There is, however, little problem in fashioning the structure of any political union. At the Caribbean Community summit in Guyana last month officials of governments which support and which are wary of a new union said any new federation could follow the format of the previous effort, with a federal capital in a member state and federal parties which would provide members of a federal house of representatives.

The problems which could overtake a new political union, according to Sir Lynden Pindling, Prime Minister of the Bahamas, are evident in the effort of the Caribbean community to co-operate on economic matters.

"It is difficult now to get a consensus on resolving outstanding economic matters. Economic integration and ultimately political integration is further down the road than many politicians will admit. It is not immediately probable."

South African airliners leased as traffic falls

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICAN Airways has disposed of a fifth of its fleet in response to a sharp downturn in tourist and business traffic.

The state-owned airline confirmed yesterday that SAA has leased eight of its 40 aircraft, including three Boeing 747s, three Airbuses and two Boeing 737s, to other carriers and international aircraft brokers. Lessees include Air Mauritius, Lan Chile and the Canadian airline, Wardair.

The SAA denied reports that the airline has sold aircraft and declined to comment on a spate of rumours concerning its plans to circumvent a possible ban on landing rights as part of sanctions to be imposed by western governments.

The airline is said to have detailed contingency plans to cope with a ban on landing rights. Officials often boast of the way SAA managed to circumvent an over-flying ban imposed by black African countries in 1963 without missing a single flight.

SAA has overcome the over-flying ban by rerouting its aircraft around the western "bulge" of Africa. Current speculation suggests that the airline will obtain the co-operation of other southern African carriers to circumvent curbs on landing rights. British Airways has applied for landing rights in Gaborone, capital of Botswana, apparently as a precaution against an interruption of flights to Johannesburg.

The recent slump in traffic has already forced SAA to cut back its international schedules. Flights to the US have been *trimmed from five to three a week*. One of the airline's daily flights to London will be suspended at the end of the present holiday season. Weekly flights to Brussels will be temporarily withdrawn at the end of October.

The airline has also closed offices in Melbourne and Auckland.

● Two men were killed and two seriously injured in what was described as an industrial accident last weekend at South Africa's top-secret nuclear facilities at Pelindaba on the outskirts of Pretoria.

The chairman of the Atomic Energy Corporation (AEC), Dr Wynand de Villiers, said the accident took place in a technical services building and that no radio-active material was involved.

According to Dr de Villiers, the four men killed and injured—all whites—were "members of a cleaning team engaged in a routine task when a fire broke out."

No further details were released. It is illegal to publish any information on South Africa's nuclear installations without official approval.

Pelindaba houses the AEC's head office and the small Safari nuclear reactor. South Africa's first uranium enrichment plant is under construction on an adjoining site, known as Valindaba. The enrichment plant is due to be commissioned *next year*.

International interest in Pelindaba has centred on whether South Africa has produced nuclear weapons there.

● Mr David Lange, New Zealand's Prime Minister, yesterday predicted a Berlin-style food airlift to the African frontline states if major economic sanctions were imposed against South Africa, Reuter reports from Wellington.

Mr Lange, who has pledged New Zealand to support any sanctions decision made by the seven Commonwealth leaders now meeting in London, told journalists that countries like Botswana were totally dependent on South Africa.

South Africa could easily respond to sanctions by taking economic action itself against countries like Lesotho, Botswana, Zimbabwe, Zambia and Swaziland.

"It would be irresponsible to have a system of sanctions which excluded the power of those governments to carry on as independent countries," he declared.

The Commonwealth would have to bear the interests of those states in mind and might have to make some other provisions for them, he said.

"It's a situation which I would think would be rather akin to a Berlin airlift. If there were comprehensive, mandatory and successful sanctions against South Africa, then you have a huge operation to ensure the survival of those adjoining countries," he said.

Guerrillas claim sabotage of Beira oil pipeline

BY JIM JONES IN JOHANNESBURG

THE OIL pipeline linking the Mozambican port of Beira with Zimbabwe has been sabotaged and put out of action "for a long time," according to the Mozambican guerrilla organisation, the MNR. Mr Jorge Correia, the MNR's spokesman in Lisbon, said at the weekend that the pipeline had been attacked to press Zimbabwe to remove its troops from Mozambique.

Zimbabwean soldiers have been operating in Mozambique for over a year at the request of the country's Frelimo government, both to protect the railway and pipeline linking land-locked Zimbabwe with the Indian Ocean port of Beira and to support the Government in Maputo against the MNR.

The MNR has received considerable military and logistic support from South Africa, though this was supposed to have ended with the signing of the Nkomati Agreement in March 1984.

Sabotage of the pipeline leaves Zimbabwe almost entirely reliant on South Africa's ports and railways for its oil imports and it came only two days after South Africa itself introduced a licensing system for imports from Zimbabwe. South African officials say that the licensing requirements are neither intended to prevent Zimbabwean imports from entering the country nor as retaliation for Zimbabwe's support for economic sanctions against South Africa. Almost half Zimbabwe's manufactured exports go to South Africa.

Australian voters signal disillusion with Hawke

BY EMILIA TAGAZA IN CANBERRA

THE FIRST concrete sign of public disillusion with the government of the Australian Prime Minister, Mr Bob Hawke, emerged during the weekend when two by-elections near Sydney resulted in massive swings against the Labor Party.

The Federal Treasurer and Sydney party-machine man, Mr Paul Keating, yesterday admitted that the planned severe cuts in welfare and health spending had affected the election results but that they would not change the Federal Government's austere economic policies.

"This is the very time when any demur from those policies would cause worse problems for the country," he said. The policies include tough reductions in public spending, high interest rates, lower salary increases, and rigid limits on foreign borrowings.

"Australia must adjust to its diminished trading circumstances, and people cannot have it the way they used to have it," he added.

The swing against the Labor Party was 23 per cent in Bass Hill and 16 per cent in Rockdale, conceded to be the biggest in election history in the state of New South Wales. The Rockdale result is especially disastrous, having been contested by the state Premier, Mr Barrie Unsworth, the new party front man in the state. Mr Unsworth was expected to win by a very narrow margin.

Meanwhile, as the Government prepares the 1986-87 budget to be announced on August 19, the Business Council of Australia, the influential grouping of large private companies, has joined the growing calls from business and financial groups for a budget deficit of around A$4bn (£1.7bn) as necessary to restore confidence in the Australian dollar and in the Hawke Government.

At Cabinet discussions on the budget, Mr Keating has been *arguing for a deficit as close* as possible to A$5bn. He has encountered resistance from "spending" ministers, including the ministers for health, education and welfare, who have argued that drastic cuts would result in an electoral backlash.

Mr Keating and the other economic ministers are trying to compromise by looking at areas that would boost government revenues, such as taxes.

Their latest suggestion, which would have far-reaching implications for Australia's commitment to nuclear disarmament, is the lifting of the ban on uranium sales to France. The move, which would have to be approved by parliament, would save the Government from paying compensation worth at least A$25m this year to a uranium company.

Since the Government suspended uranium sales to France three years ago, it has had to compensate Queensland Mines for lost sales. The figure last year was about A$44m. The company has a contract to supply 2,600 tonnes of uranium oxide to Electricité de France for 1982-88.

Philippines president names 19 generals

By Samuel Senoren in Manila

PRESIDENT Corazon Aquino of the Philippines yesterday named 19 new generals in the 250,000-armed forces in what is widely seen as a move to consolidate her hold on the fractious military.

Nearly all those newly promoted held insignificant positions during the regime of deposed president Ferdinand Marcos because they were not identified with an elite group of officers led by the former Chief of the Armed Forces, Gen Fabian Ver, who fled with Mr Marcos to Hawaii last February.

The new brigadiers, whose promotions were recommended by the Chief of the Armed Forces, Gen Fidel Ramos, and the Minister of Defence, Mr Juan Ponce Enrile, are expected to be *assigned to strategic posts*, chiefly to military units surrounding Manila, the seat of the government.

Mrs Aquino is to leave the Philippines later this month on official visits to Indonesia and Singapore, and next month to the US.

There has been some concern among officials of the Aquino Government that her absence could be exploited. They fear elements in the armed forces who may still be loyal to Mr Marcos might try to foment trouble in the wake of last month's abortive coup.

Bank acts to boost economy

By Our Manila Correspondent

THE Philippines Central Bank cut the amount of reserve that commercial banks maintain against short term deposit liabilities by one percentage point at the weekend. The move was designed to help spur growth in the economy this year.

The decision, which took effect yesterday, reduces the reserve requirement from 22 per cent to 21 per cent, frees close to Pesos 1bn (£34.2m) in additional loanable funds to the banking system.

As a result lending rates, which have gone down to the level of 15 to 16 per cent from a peak of 40 per cent last year, are expected to fall further.

The reduction, the second made by the Government of President Corazon Aquino since assuming power in February, pursues expansion in money supply which Mrs Aquino contended was needed to assure a growth of at least 1.4 per cent in the economy in 1986.

The Aquino Government's expansionary monetary policy was approved last week by the International Monetary Fund during negotiations in Manila in connection with the Philippines' request for a new stand-by programme in the next 18 months.

The programme, which calls for a financing package of about US$590m from the IMF, allows the Philippines to expand money supply by 20 per cent and to go into deficit spending equivalent to as high as 4.4 per cent of the gross national product in 1986.

Commercial banks, which are generally awash with cash, hope to increase loans to clients as a result of a fall in interest rates.

Most businesses, however, have shied away from commercial borrowings in view of a highly unstable political and economic environment arising from Mrs Aquino's inability to make firm decisions despite broad powers she enjoys under a revolutionary form of government.

President Aquino has asked the central bank to draw up rules to allow foreign financial institutions to convert their credits to the Philippines to equity investment, the presidential palace said, reports Reuter from Manila.

Mrs Aquino told the Central Bank to prescribe terms and conditions that will encourage holders of such obligations to invest their peso proceeds in local enterprises. She issued the order on July 24 but it was made known only yesterday.

Thai parliament in first session

THAILAND'S newly-elected parliament held its first session yesterday as nearly 100 demonstrators rallied outside to protest against the nomination of Gen Prem Tinsulanonda for another term as Prime Minister, AP reports from Bangkok.

The demonstrators, mostly university students, held up posters accusing the political parties of "betraying the people" by promising to select an elected representative and then later nominating Gen Prem, who did not run in the election, for another term.

Wong Sulong in Kuala Lumpur on the Malaysian premier's election victory

Mahathir victory brings unity no closer

WHEN Dr Mahathir Mohamad, the Malaysian Prime Minister, called a meeting of his National Front coalition partners on July 18 to *tell them of a snap* general election, he was taking a calculated risk.

He had already spent several weeks criss-crossing the country and monitoring the political pulse. "I think I am now confident of winning a two-thirds majority," he told a news conference after announcing that parliament had been dissolved a full year ahead of its five-year term. Many thought his confidence was misplaced.

As it turned out, the 60-year-old youthful-looking and blunt-talking medical doctor from Kedah state had diagnosed the Malay psychology and mood so accurately that the election has paid him handsome dividends.

Final results showed the 13-party National Front group winning 148 of the 177 parliamentary seats, conceding only 29 seats to the opposition and independents.

The performance almost equalled its record victory in the 1982 elections when the Front won 132 of the then smaller parliament of 154 seats. The Front also swept all the legislative assemblies of the 11 West Malaysian states.

Dr Mahathir's victory delivered a crushing blow to Islamic fundamentalism as a political force in the country. The Party Islam, which most observers had expected to make *significant gains*, secured only one seat. It won 14 per cent of the total votes polled however and cannot be totally discounted.

"The Malays have been torn between race and nationalism on one hand and Islam and its universal values on the other," noted a prominent Malay academic. "But the overriding factor is their fear and obsession about how to deal with the large and threatening Chinese population in their midst. The election results clearly show the Malays going back to their racial roots when it comes to dealing with the Chinese."

Apart from the humiliating defeat of the Party Islam the most disturbing trend in the polls is the sharp racial polarisation among the voters. As the Malays stood firmly behind the dominant United Malays National Organisation within the National Front, the Chinese expressed their frustration over their diminishing influence in the Government by voting for the opposition Democratic Action Party. The DAP almost trebled its parliamentary representation to 24.

The main victim of this protest vote was the Chinese partner in the Government, the Malaysian Chinese Association, and to a lesser extent the Gerakan Party, another Front component which provides a Chinese chief minister in Penang state.

Datuk Musa Hitam—unlikely to challenge

Mahathir—confidence handsomely rewarded

The MCA contested 32 seats and won only 17. Until recently it had been embroiled in a protracted internal power struggle

The main economic election issues, including the loss of nearly $1bn by the Malay-owned Bank Bumiputra, worked against the MCA rather than Umno. The recession, the sharp decline in the stock market and property values and the widespread retrenchment in the factories and tin mines hurt the urban Chinese voter but left the Malays in the rural areas relatively unscathed.

Dr Mahathir is now in an almost unassailable position. The prospect of a challenge being mounted by Datuk Musa Hitam, his former deputy, or another potential rival, Tengku Razaleigh, the Trade and Industry Minister (or a partnership of the two) must be remote.

How Dr Mahathir intends to use his enormous mandate is crucial to the future of this South-east Asian nation of 16m diverse people. It would be unwise for him to assume that his victory provides a vindication for all his controversial economic policies.

The commodity prices on which Malaysia depends for 80 per cent of its foreign exchange are unlikely to improve for many years to come. A tough budget is almost a certainty.

The 20-year-old New Economic Policy, a centrepiece of the Government's efforts to upgrade the Malays' economic status, expires in 1990. Political decisions will have to be made soon over whether to end or extend it, with all the repercussions involved.

Business confidence is currently low and the top priority must be to attract foreign investment which will not come unless the NEP is greatly modified or dropped, while national unity remains more elusive than ever.

It will remain so, as long as the authorities persist in stressing racial differences rather than common Malaysian values.

Bush warns Egypt of problems over aid

BY TONY WALKER IN CAIRO

MR GEORGE BUSH, the US Vice President, has warned Egypt of difficulties standing in the way of US help over its financial crisis.

Mr Bush, speaking after a meeting with President Hosni Mubarak, said he had told *Egypt's leader that US ability to* help was constrained by pressures on Washington's foreign aid budget.

Egypt wants the US to increase the cash component of the approximately $1bn in civil aid it provides each year. The Egyptians are also seeking interest rate relief on a large military debt to the US, totalling about $4.5bn.

"I wasn't in a position to make any commitments on these different problems at this point," Mr Bush said after a long meeting with President Mubarak.

Commenting on a request that the US use its leverage on Egypt's behalf with the International Monetary Fund, Mr Bush said: "I have made clear to our Egyptian friends that we do not snap our fingers and have the IMF demonstrate flexibility that some of our closest friends would like."

Egypt is seeking balance of payments support from the IMF. It is in arrears on payments on much of its more than $35bn foreign debt. The country's financial crisis has been caused in part by the collapse of the oil market.

Meanwhile, Mr Richard Murphy, the US Special Envoy in the Middle East, appears to have failed in a last ditch attempt to persuade Israel and Egypt to initial an agreement on Taba, a disputed speck of land in the Sinai.

Mr Murphy, who is accompanying Mr Bush on his Middle East tour, returned to Cairo early yesterday from Jerusalem, where he had talks with senior Israelis on the Taba question. The US has been pushing the two sides to reach agreement so that it could be signed while Mr Bush is in the region.

Egypt and Israel both lay claim to the territory less than one kilometre square which the Israelis retained when they handed back the rest of the Sinai to the Egyptians in 1982 under the terms of the 1979 peace treaty.

Since last year, Israeli and Egyptian negotiators, with US assistance, have been trying to agree on material to be presented to an international arbitrator. The identity of the arbitrator is one of the issues being discussed.

Egypt has said that the Taba dispute is preventing normalisation of relations with Israel, which were soured by the Israeli invasion of Lebanon in 1982 and the subsequent massacres of Palestinians at the Sabra and Chatila refugee camps in Beirut.

Mr Bush was due to meet Egypt's powerful Defence Minister, Mr Abdel Halim Abu Ghazala, Foreign Minister Mr Esmat Abdel Meguid and Prime Minister Mr Ali Lutfi. He leaves Egypt today.

UK bases in Cyprus on alert

By Andreas Hadjipapas in Nicosia

THE British sovereign bases in Cyprus were on full alert *yesterday following Sunday's* rocket and mortar attack on the Akrotiri Royal Air Force station in the south of the island.

At both Akrotiri and Episkopi cantonment nearby, as well as Dhekelia, in the south east, all access roads were blocked off by armed checkpoints, patrols were mounted, and all leave was cancelled.

Police now believe the attack on Akrotiri was launched by two or three groups from sand dunes about a mile from the base perimeter. Rockets and mortars landed in the wind surfing club, while others fell near the married quarters at the sport area of Akrotiri. Two women sustained minor injuries and a building was damaged.

A previously unknown Arab group, the "United Nasserite Organisation," claimed responsibility for the attack in a message delivered to a Beirut newspaper. The pro-Libyan group indicated that the attack was partly in retaliation for the US air raids against Libya last April, even though the British authorities made it clear at the time that Akrotiri had not been used by the US bombers.

The Cyprus Government issued a statement condemning the attack on the British base and stressed that such acts of violence, irrespective of the identity and the motives of the culprits, inevitably had adverse consequences for Cyprus and its people.

Israel renews offer on W Bank autonomy

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI Government has launched another drive to try to persuade moderate, pro-Jordanian Palestinians in the occupied territories to participate in a limited form of local autonomy.

The move comes hard on the heels of last month's meeting between Mr Shimon Peres, the Israeli Prime Minister, and King Hassan of Morocco. It also coincides with the announcement in Jordan of an ambitious $1.3bn (£872m) development plan for the occupied West Bank region.

The first step in the new Israeli initiative was a rare public meeting on Sunday between Mr Peres and a group of 25 prominent individuals from the West Bank and Gaza Strip. Most of those who *attended were mayors or* businessmen known for their Jordanian links.

At the meeting, the Prime Minister outlined new, though still modest, proposals for the devolution of authority to local Palestinians.

Among the proposals on offer to the 1.4m residents of the occupied territories was the right to choose their own town mayors, regarded as potential key figures in Israel's search for negotiating partners among the Palestinians. How they would be chosen was not specified.

Mr Yitzhak Rabin, Defence Minister in the National Unity Government and the man responsibe for the occupied territories, has consistently *ruled out elections* on the grounds that they would lead to intimidation and violence, and could only benefit the Palestine Liberation Organisation.

An official statement said the package, which goes slightly further than earlier ideas, was aimed at "removing the obstacles in the way of negotiations, which can be begun with international accompaniment and without preconditions."

The Prime Minister had proposed widening the authority granted to Arab municipalities, the statement said, as well as discussing development in fields such as industry, health, education and banking.

A previous initiative last March was abandoned after the *assassination* by radical Palestinians opposed to Israel's devolution plans of Mr Zafr al-Masri, the mayor of Nablus.

While the Israeli Prime Minister is clearly interested in maintaining the momentum he feels has been created in the so-called peace process by his Moroccan summit, the reaction from Palestinians to this latest move are predictably cautious.

Despite their moderate views, representatives of those who took part in Sunday's meeting—described by the Government as being the first of a planned series—said they did not expect anything substantive to emerge from what they had heard from Mr Peres.

K. K. Sharma charts the response to India's more liberal approach to the economy

Gandhi sets pace for new industrial attitudes

"THE EUPHORIA of 1985 is over," observes Mr Tarun Das, executive director of the influential Association of Indian Engineering Industry, while reviewing Mr Rajiv Gandhi's measures to liberalise the Indian economy. Yet he acknowledges that the liberalisation was long overdue and has set the pace for industrial growth that could be unprecedented.

His view is widely shared by Indian businessmen, many of whom are now engaged in a constant dialogue with Mr Gandhi, the Prime Minister, and his Finance Minister, Mr V. P. Singh, who holds an "open house" every Tuesday for discussions.

Businessmen, who just two years ago found it difficult even to meet junior officials, now tend to expect further measures and policies to improve the business and investment climate.

"We will get a new industrial and economic environment by 1987," predicts Mr Autar Krishna, a senior director of Widia India, an Indo-German engineering company.

The enthusiasm is not misplaced. The Prime Minister's secretariat and other economic ministries are now working on a series of policies that are expected to be announced in stages by the end of this year.

"So far there has been a series of liberalisation steps designed to ease industrial licensing and introduce fiscal reform," says a senior official. Much more lies ahead.

Perhaps the most important measure so far is the revision *of the Foreign Exchange* Regulation Act (Fera) of 1973, which could lead to a brand new foreign investment policy offering major attractions to foreign companies.

Fera is now nearly 15 years old and there is a growing realisation that it is obsolete, and needs overhauling. The act was used to compel foreign companies to "Indianise" their ownership, a process completed years ago.

Majority foreign equity ownership was permitted only in cases where high technology not otherwise available in India was brought in, or where there was a major export commitment or a combination of both. Fully 100 per cent owned foreign companies are now virtually unknown and even majority equity participation is rare.

"We realise that India is a capital-scarce country and needs investment in key areas," said an official involved in the revision of the act.

Changes in Fera are likely to involve major deregulation as well as selectively to remove barriers in the way of investment by Indians abroad while ensuring that scarce foreign exchange is not wasted. The hope is that many unnecessary restrictions on foreign exchange earnings will also go.

To make things easier for Indian businessmen, policy announcements are expected soon to ensure that liberalisation measures already taken are not blocked and that many of the remaining policy and procedural irritants are removed.

An important example is the application of the Monopolies and Restrictive Trade Practices Act (MRTP). Last year, it was announced that companies with assets worth Rs 1bn (£54m) compared with the previous limit of Rs 200m would be covered by the act, which inhibits their growth except in limited areas. Hundreds of companies remain in the MRTP net because they are "inter-connected" with bigger companies, but a way to deal with this is now to be found.

One cumbersome restriction under the act requires companies to answer as many as 189 questions on 15 forms if they wish to expand or launch a new enterprise. This is now being streamlined.

The Companies Act is also being revised, to remove annoying requirements, such as the need to put into annual reports the methods used to acquire or adapt technology. Such rules are usually side-stepped.

Another such change is the requirement to rotate auditors. It is now recognised that auditors establish long-term relationships within managements, often as valuable financial advisers.

Managerial salaries, at present limited by Government regulations to a maximum of Rs 7,500 monthly for a managing director, are also likely to be reformed. Government employees are soon to get substantial pay increases in accordance with the recommendations of a commission and the limits on managers' pay are also likely to be raised in keeping with inflation and modern standards of living.

Another area to be tackled by *the government is* labour relations, in an attempt to improve productivity and introduce a productivity-linked pay structure. Reforms on this front will probably be the most difficult to introduce.

Mr Gandhi's liberalisation measures have been widely hailed by some businessmen, but those used to a sheltered and large domestic market that has now been opened to foreign competition are grumbling.

Manufacturers of capital goods who have been hurt by the relatively easier import of some key items and changes in fiscal policies that make Indian goods uncompetitive are in the lead.

Officials admit that a serious test of the Government's mettle will come when hundreds, even thousands, of companies find they are forced to close down, producing a major political test for the Prime Minister with its attendant unemployment. No government has yet been able to face this challenge—the usual way of dealing with "sick" enterprises is somehow to keep them alive.

Officials claim that there is *every intention of allowing* "sick" units to die rather than reverse liberalisation. One way out that is being examined is creation of a Bureau of Industrial Finance and Reconstruction (BIFR) that will help the process of mergers and takeovers of "sick" units by healthy ones.

Many other snags remain. An important one is that the enthusiasm for liberalisation and reform is limited to only parts—although important parts—of the Government, like the Prime Minister's Secretariat and segments of the Finance Ministry.

Reforms are still overdue in such key sections of the Government as the Commerce Ministry (which supervises the country's trade) and departments handling crucial sectors like power and transport.

Officials admit that the measures taken so far will take time to have effect and that the necessary attitude will never be pervasive. Yet so far, as many as 46 liberalisation decisions have been taken since Mr Gandhi became prime minister in January 1985 and these are said to be just a beginning.

TRADE GAP WIDENS BY 50%

INDIA'S trade gap soared by more than 50 per cent to a record Rs79.51bn (£4.3bn) in 1985-86 compared with Rs55.37bn in the previous year because of a sharp rise in imports and a fall in exports, K. K. Sharma writes.

Figures announced by the Commerce Ministry show that total imports rose to Rs183.7bn compared with Rs170.92bn in 1984-85. Exports fell to Rs104.20bn from Rs155.55bn in the previous year.

Exports fell mainly because India no longer needs to sell to US companies its crude oil production from the Bombay high offshore field because it has now established sufficient refining capacity within the country. Oil exports in 1984-85 were worth Rs15.63bn or 13.5 per cent of the total.

There has been an all round *increase in imports*, including those of fertilisers, cooking oil and capital goods. Despite the high trade gap, the Government has no plans to reverse its policy of liberal imports initiated five years ago.

The Government feels India needs imports of machinery and technology as part of its modernisation programme. At the same time, foreign exchange reserves in 1985-86 increased despite the trade deficit because of heavy remittances by Indians resident abroad.

● *India will file a suit against the US Union Carbide Corpn in an Indian court this month to settle claims by victims of a gas leak which killed more than 2,000 people in 1984, an Indian minister said yesterday, Reuter reports.*

S Africa to review construction of five coal power stations

BY BERNARD SIMON IN JOHANNESBURG

ECONOMIC and political uncertainties have forced South Africa's Electricity Supply Commission (Escom), one of the world's biggest customers for power generating equipment, to review construction of five large coal-fired power stations.

An Escom official said that "very delicate" negotiations are currently underway with European, US and South African suppliers and other interested parties.

Decisions on the future of the power stations will be made before the end of the year when deferment and cancellation options in several major contracts expire.

One European supplier of boilers confirmed that estimates of the costs of deferring or cancelling orders were due to be submitted to Escom last Friday.

The total cost of the five stations, which are located near the Transvaal and Orange Free State coalfields, is R17.5bn at 1985 prices. Each station is designed to generate 3,600 megawatts of electricity from six sets of 600 MW each.

Steinmuller of West Germany is contracted to supply boilers for two of the stations, while GEC of Britain and a consortium of France's Alsthom and West Germany's MAN each have two turbine generator contracts.

Other key contractors for the five stations include Babcock and Wilcox and Combustion Engineering of the US, and Kraftwerk Union of West Germany.

Escom rushed to expand its generating capacity during the gold-induced boom of 1980-83, when it appeared that demand for electricity would outstrip supply.

Its concern was heightened by the disruption of supplies from the Cabora Bassa hydro-electric project in strife-torn Mozambique, which was intended to provide about 8 per cent of South Africa's power needs.

Since the onset of the present severe recession, however, Escom has cut its forecast of growth in electricity demand from 8 per cent a year to 5.5 per cent. Even the latter figure is now considered to be on the high side.

The commission's senior general manager, Mr Ian McRae, said in a statement that "it appears that Escom may opt for the conservative approach by partly deferring some projects while keeping the main elements of the programme on track, subject to information received from major contractors about the cost implications."

The threat of stiffer international sanctions against South Africa and the drying-up of foreign loans in the past year are among the factors encouraging the commission to press ahead, even at the price of installing excess capacity.

Although project finance has already been arranged for all five stations, Escom is concerned that the funds may be cut off suddenly if the political situation deteriorates.

Mr McRae said that "the possibility of sanctions and increasing difficulties in raising foreign loans encourages us to get the power stations completed as soon as possible."

Construction of the Majuba power station in South-East Transvaal was deferred for two years in early 1985. Contracts allow Escom to stretch up to 18 months the period between installation of each of the six generating sets in the five stations.

Brussels ready for new moves in pasta war

By Tim Dickson in Brussels

A SERIOUS escalation of the transatlantic pasta dispute looks more likely after the breakdown of weekend talks between Mr Clayton Yeutter, the US Trade Representative, and Mr Willy de Clercq, the EEC's external relations and trade commissioner.

Community diplomats were meeting in Brussels yesterday but the next move is likely to come from Washington, where Mr Yeutter was due to report to the influential Economic Policy Council.

The US had already threatened to step up retaliation if the dispute were not resolved by the beginning of this month.

The row began last year when the Americans, angered by EEC trade arrangements with Mediterranean countries which they saw as harmful to their citrus producers interests, increased import duties on Community pasta. The EEC responded by raising levies on US walnuts and fresh lemons.

US officials in Brussels yesterday said they could not predict if the US would carry out its threat to step up its action but European Commission officials fear EEC whisky and wine could be among new products to be hit.

Ramie has grown to worry Washington, **Anthony Moreton** writes

Why one fibre tied up US team

NOTHING CAUSED more dissension among delegates to the Multi-Fibre Arrangement (MFA) talks which were concluded in Geneva last week than the US insistence that all fibres should be included in the extended accord.

Hour after hour, Mr Charles Carlisle, the chief US negotiator at the talks, refused to budge from the US position that all fibres should be in the new protocol to the MFA.

Weary delegates became accustomed to long silences from the American team, as they sought explanations and exemptions.

In the end, the US won. MFA 4, which will run until the middle of 1991, will cover not only cotton, wool and man-made fibres, such as nylon and polyester, but also ramie, linen, silk, jute, sisas, coir, abaca, maguey and henequen.

Of all these, it is ramie which matters. Yet nowhere in the 28 points of the extension to the protocol does the word actually appear.

The protocol merely acknowledges "the concern of some importing countries regarding substantially increased imports of textiles made of vegetable fibres."

The reason why the US should be so concerned with ramie is obvious from its trade figures.

Last year the US imported 2.77bn square yards of fabrics made from fibres, largely ramie, which were not covered by MFA quotas, according to the American Textile Manufacturers Institute.

As a result of the new accord, imports of ramie to the US are likely to be curtailed.

Ramie is a very good substitute for cotton in some clothes, *especially sweaters*. Ever since China, the largest producer of this fibre joined the MFA two years ago, its exports of cotton have been subject to quota.

Ramie was a more than adequate substitute and one not subject to quota.

There has been a vogue in Western countries in the past few years for light-weight pullovers, mostly made from a blend of cotton and wool, sometimes made entirely from cotton.

With cotton subject to quota, the amount of sweaters made from ramie from Hong Kong, South Korea, the Philippines, Taiwan and Macao and sent to the US has shot up.

Last year, the US estimated it had received 120m sweaters made from ramie, enough to provide one sweater for every two people in the population.

This was on top of all those made from cotton, wool and acrylic.

Until recently, ramie was a virtually unknown fibre but research has led to the development of its commercial uses.

The fibre's botanic name is Boehmeria nivea. It is a member of the nettle family and is a native of China, though there is a variety, known as rhea, which comes from Malaysia.

It has been cultivated in parts of the Far East since time immemorial, and was sometimes known in Europe and North America as grass linen or China linen.

A combination of profuse growth allied to cheap labour has made for the archetypal low-cost Far Eastern fibre

Ramie bears a great resemblance to linen, which comes from the plant flax, and it is very difficult to differentiate it from cotton except under chemical analysis, although some experts say it has a "harder," more abrasive feel.

The plant is a perennial, growing between 3 ft and 8 ft high and is rhizomous—that is, it throws out roots parallel to the top of the soil with a multitude of shoots coming off one rhizome.

A combination of profuse growth allied to cheap Chinese labour makes it the archetypal low-cost Far Eastern fibre.

The difference between ramie and flax is that the latter is retted — that is, it is cut, allowed to lie on the ground and the fibre then parts from the stalk.

Ramie has to be mechanically processed to separate the bark and the adhering fibre, and only recently has a mechanical process been developed to allow commercial production of the fibre.

The fibre has one other great advantage over flax-linen. It is pure white which makes it a very good vehicle for dyeing, whereas flax has a hint of brown in it.

Its other attributes are that when turned into a fabric, it is easily laundered, dries quickly and becomes smoother and more lustrous with repeated washing. Nor does it fade.

The Philippines is already beginning to turn out ramie in commercial quantities, and other countries, such as Brazil and Taiwan grow it and are almost certainly considering marketing it. Its weed-like propagation qualities also means that other countries could soon start to grow it.

Given all this, it is hardly surprising that the US delegation in Geneva should have spent so much time on the one fibre.

Recovery in French car industry confirmed

By Paul Betts in Paris

SIGNS OF a recovery in the French car industry have been confirmed by the latest French car market statistics showing a 5.6 per cent increase in French car production in the first half of this year and a 1.8 per cent rise in exports compared with the first six months of last year.

New registrations also increased by 4.6 per cent in the first half, according to the mid-year statistics of the French car makers' association.

Production in the first half totalled 1,428,057 cars while exports amounted to 803,907 vehicles. Exports increased by 14.3 per cent in the EEC area which accounted for 77.2 per cent of total exports.

Although foreign importers still hold the single largest share of the domestic market with 36.45 per cent of total registrations in the first half, their penetration slipped in June to 31.3 per cent of the market.

The private French Peugeot group gained 32.9 per cent of the market in the first half and 33.3 per cent in June.

The state-owned Renault group with 30.7 per cent of the market in the first half saw its share of the market rise to 35.3 per cent in June boosted by the recent launch of its new R21 medium-sized saloon.

Reagan move on imports takes Taiwan by surprise

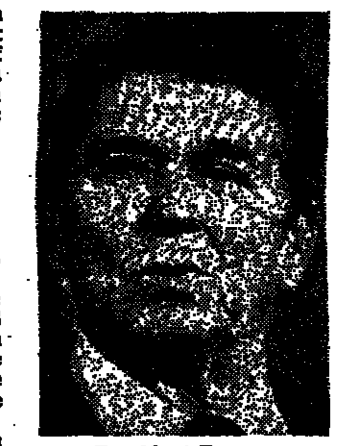
BY BOB KING IN TAIPEI

TAIWAN seems to have been taken by surprise by President Ronald Reagan's invocation of special powers that allow him severely to penalise or even ban imports of Taiwanese products to the US.

The White House announced at the end of last week that it was invoking Section 301 of the 1974 US Trade Act against Taiwan because it had failed to implement by July 1 the terms of a 1981 agreement.

Taiwan trade and finance officials played down the US move, saying it resulted from a "misunderstanding" on the part of the US which would be cleared up during current trade talks.

But other officials said Taiwan had committed "a gross error" in its failure to implement the accord on time.



President Reagan

Section 301 empowers the President to take action against unfair trading practices. These could include stiff penalties against goods from the offending countries or in extreme cases, bars against importation of certain goods.

At issue is Taipei's continued use of a valuation table rather than the declared price of imports to Taiwan as a basis for assessing tariffs.

The US maintains that such a table inflates the prices of imported goods, making them non-competitive in the Taiwan market.

The US says Taiwan agreed to drop the tables in a bilateral accord signed in late 1978 as the US prepared to sever formal diplomatic ties. That agreement was later reaffirmed in 1978 and 1981 with implementation set for January 1 1986.

Taiwan could have sought a six months extension to July 1 of this year but did not, the US maintains. Still the US deferred action until even that deadline had passed.

Under US law, the President decides on specific action to be taken after a two-week discussion period and an opportunity to discuss the problem with the offending party.

The US threat of sanctions comes as a Taiwan delegation heads for Washington for annual trade talks with US officials.

On the agenda is a wide range of items including the continued qualification of certain Taiwanese products for preferential tariff treatment in the US. Exports of those products to the US last year were worth more than \$3bn (£1.9bn).

The threat also signals clearly that the Reagan Administration has run out of patience with Taiwan over trade matters, which will figure very prominently as issues in the upcoming US Congressional elections scheduled for November.

Finns win liner order

BY OLLI VIRTANEN IN HELSINKI

WARTSILA, the Finnish shipbuilding group, has won an order for a luxury cruise liner worth \$150m (£98m) from the Norwegian shipping line, Gloster Cruise. The vessel, will be delivered in spring 1988.

Gloster has also an option for one identical ship. The 40,000-tonne vessel will be built at Kartsila's Turku shipyard. It will be 212 metres long and take 1,900 passengers. Gloster will place the vessel in the Caribbean cruise market.

The Norwegian deal is the first major order for Wartsila since May when the company announced that it will join its shipbuilding division with the yards of Valmet, Finland's state-owned shipbuilding and engineering group.

Wartsila will control 70 per cent of the new company while Valmet will own the rest. The new company will commence operations at the beginning of 1987.

Japanese in link with Portugal vehicle group

BY DIANA SMITH IN LISBON

YAZAKI of Japan, one of the world's largest manufacturers of electric cables, has linked up with Salvador Caetano, the Portuguese vehicle group, to manufacture electrical components for vehicles in northern Portugal principally for export to the EEC.

The Esc 1.7bn (£5.2m) investment in the new company, Yazaki-Saltano de Portugal, is the largest Japanese investment so far in Portugal.

It marks the beginning of what is expected to be substantial growth in third-country investment, particularly from the Far East, availing itself of Portugal's new status as an EEC member to sell more to the EEC under the label of a member-country.

Salvador Caetano, one of the country's most solid privately-owned enterprises, has long had an association with Toyota of Japan whose products it markets in Portugal.

Yazaki will hold 60 per cent of the Esc 900m capital of the new venture, which will initially create 450 jobs, rising to 1,500 jobs within five years.

UK NEWS

Study into future of television services

By Raymond Snoddy

THE GOVERNMENT plans to conduct a broad review of the future of broadcasting in the UK that will include cable and satellite services as well as existing television channels.

The review has been stimulated by the recently published Peacock report, which went beyond its most immediate task – looking at the financing of the BBC – and produced a plan for the future of British broadcasting to the end of the century and beyond.

Senior ministers now believe the Peacock Committee may have come up with the right questions, even if few of the recommendations can be immediately implemented.

An interdepartmental committee has been set up to look at the Peacock report and the wider context of how broadcasting will change in the era of cable and satellite television.

The committee, which has already held its first meeting, brings together senior civil servants from the Home Office, the Department of Trade and Industry and the Treasury.

The Government has announced that it plans a comprehensive look at all radio services in the UK to provide a structure to take radio into the next century. It is now clear that the Government is taking a similiar approach to the rest of broadcasting.

The franchises of the independent television (ITV) companies, due for renewal in 1989, will be extended for two years in order to see if the "better way" for awarding ITV franchises sought by Lord Thomson, chairman of the Independent Broadcasting Authority (IBA), can be found.

The initial response of senior ministers to Peacock, with its suggestion of a three-stage transition towards consumer sovereignty through pay-per-view for individual programmes, was that it was not what was required at all and should be "kicked into the long grass."

There have been second thoughts that emphasise the quality of the research and the seriousness of the questions about the future.

Members of the Peacock Committee have also been lobbying hard to save their work from oblivion and have several powerful allies in Government, including, it is believed, Mr Nigel Lawson, the Chancellor of the Exchequer.

The Department of Trade and Industry (DTI) is particularly keen to stimulate independent television production even if the Peacock suggestion of a quota rising gradually to a minimum of 40 per cent of BBC and ITV air time is not considered feasible.

Senior DTI officials, disappointed at the slow progress of cable television and competition in telecommunications, are also starting to look seriously at the Peacock proposal for the creation of a national fibre optic grid.

Such a grid, which might cost as much as £10bn, would deliver not only an enormous number of television channels but also modern telecommunication services for both the business and domestic user.

TSB flotation to proceed despite row over ruling

BY NICK GARNETT

NEXT month's planned stock-market flotation of TSB Group is to go ahead in spite of mounting embarrassment to the Treasury caused by a House of Lords ruling over the group's ownership.

The ruling, detailed on this page, said that assets of the UK's four trustee savings banks belonged until 1985 to the state, subject to depositors' contractual rights. It provoked a storm of criticism of the Government from Labour MPs, who argued that the Government was in effect giving away to speculators the group's estimated £1bn surplus assets.

It also drew claims of a moral victory by representatives of TSB depositors, who fought an eight-month legal battle to prevent flotation damaging the TSB's role as a socially conscious bank for low-income people.

Mr James Ross and the Rev John Vincent, representing depositors, said they were writing to the Treasury calling for the flotation to be abandoned and would consider further action through the European Court of Human Rights.

Opinion among City analysts was mixed, with some regarding the matter as academic and others fearing that a political row led by Labour MPs might endanger the flotation's success. Dr Oonagh MacDonald, a Labour Treasury spokesman, accused the Government of an "appalling blunder."

Since the 1984 TSB White Paper, the Treasury has claimed that the flotation is not a privatisation, because there was no clear owner of the four banks. The 1985 TSB Act resolved the matter by allowing the Treasury to vest their assets in a new private-sector company, TSB Group plc, created two weeks ago as a prelude to flotation.

The Lords ruling prompted a hastily convened meeting yesterday morning of senior Treasury officials with Mr Ian Stewart, the department's Economic Secretary, who faced Labour calls for his resignation.

Lord Templeman, a Law Lord, had demolished the Treasury's contention that neither the Government nor TSB depositors owned the banks' surplus assets.

The Treasury denied that Lord Templeman had ruled that the Government owned the TSB's assets. It would have been "unthinkable for the Government to have laid claim to them," it said, citing the 1976 TSB Act, which said that the TSB Central Board's property should not be regarded as Crown property.

TSB Group was adamant that the flotation would proceed next month as planned.

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BREWERS AGAIN FACE INVESTIGATION OF 'TIED' SYSTEM

Monopolies probe into beer outlets

BY LISA WOOD

SIR GORDON BORRIE, Director General of Fair Trading, yesterday asked the Monopolies and Mergers Commission to investigate the supply of beer for sale in licensed premises. Those include Britain's unique system of "tied" public houses through which nearly all brewers sell much of their beer.

The referral, couched in broad terms, technically also extends to retail outlets that sell alcohol for consumption off the premises and many clubs, but Sir Gordon said he was particularly concerned about the tied system, its effect on competition and consumer choice.

He noted that "prices, margins and profits within the industry appear to be high." Under the tied system a retailer may sell only those products specified and supplied or authorised by the brewery.

Individual brewers declined to comment on the referral but the Brewers Society said: "Brewers view the inquiry as being totally unnecessary. They are confident that it will again be found that the many consumer and other competitive advantages of the UK system of pub ownership will outweigh any disadvantages."

In 1969 a Monopolies investigation said it would prefer a system under which brewers did not own their own outlets, but it made no recommendation to abolish the tie.

In the new referral, the commission has been asked to judge if there is a monopoly being exercised by brewers and if so whether the brewers are exploiting it and by what methods. Sir Gordon said there were four areas that appeared to him to cause concern:

- That the brewing industry supplied a high proportion of its products through outlets tied to the brewer and that competition might, therefore, be restricted.
- Because of that hold over retail outlets, independent suppliers might face difficulties in marketing their products.
- As a result of those factors, consumer choice might be limited.
- Prices, margins and profits within the industry appeared to be high.

The announcement, coming after weeks of speculation in the industry, led to a fall in the share price of many brewers, in particular those with substantial tied estates such as Bass, Allied Lyons, Whitbread and Grand Metropolitan.

Mr John Dunsmore, of Wood Mackenzie, the Edinburgh-based stockbroker, said: "Because the parameters of the referral are so wide it may again be difficult for the commission to come up with firm recommendations. However, it would be foolish if the brewers did not start adopting strategies that anticipate some form of change.

"If supply of beer was no longer guaranteed in their pubs they may look very carefully at levels of investment in their tied estates. There could also be a more aggressive detachment of their wholesale businesses from the retail activities."

Privatised yard to tender for submarine

BY JOAN GRAY

THE GOVERNMENT has asked Vickers Shipbuilding and Engineering (VSEL) to tender for constructing Britain's second Trident nuclear submarine in a contract that might be worth up to £800m.

The company, based at Barrow-in-Furness in Cumbria, North-west England, is Britain's only submarine builder. It was privatised this year in a management and worker buy-out.

VSEL has spent £230m on a Trident assembly hall and was awarded the contract for building Britain's first Trident nuclear submarine, HMS Vanguard, in May.

Although the order for the Vanguard was worth a total of £800m and estimated to be worth about £450m to the company, the Ministry of Defence emphasises that it is expecting the price of the second submarine to be considerably less because it is the second of its class "and so full use can be made of the facilities at Barrow."

The order for the second submarine – the SSBN6 – is expected to be placed with Vickers some time next year, allowing for several months preparing the tender and negotiating on the contract price.

The Government will then order another two Trident submarines, designed to replace the Polaris nuclear deterrent, "at regular intervals" so that the whole fleet of four will come into operation in the mid 1990s.

The Ministry of Defence (MoD) emphasises that all four Trident orders will go to Vickers as it is the only yard in the UK with the capacity to construct a Trident submarine and it is not economic to develop other yards to construct them.

The ministry says the order for the SSBN6 will ensure continued employment for the 4,000 people already working on the Vanguard.

Building the Vanguard also provides jobs for another 5,000 people elsewhere in industry, said the ministry, and the latest order will enable that level of employment to be sustained.

The tender is for the complete manufacture, assembly, testing and trials of the SSBN6, except for parts of the nuclear weapons system, which will be provided by the MoD.

The 16,000-tonne, 150-metre-long Trident is the largest submarine ever built by the UK, and twice the size of the Polaris nuclear submarines it will replace.

Rights issues slow to trickle

THE FLOOD of rights issues from British companies slowed to a trickle last month after the surge in June, according to figures published yesterday by the Bank of England, George Graham writes.

Companies raised a total of £525m in new capital on the Stock Exchange – £330m of it in the form of rights issues – compared with £2.1bn in June, when companies such as National Westminster Bank and the Prudential Corporation went to the stock market to ask for more cash.

In the first seven months of 1986, UK companies have raised nearly £5bn of new capital, 7.5 per cent more than in the same period of 1985. Redemptions of capital have amounted to £327m, compared with £808m in January to July last year, bringing net capital issues to £4.65bn.

Industrial and commercial companies raised a total of £384m on the Stock Exchange in July, while financial companies raised £113m – including £84m raised by investment trusts.

□ THE FIRST batch of service trade marks to receive official sanction were granted by the Registrar of Trade Marks in advance of changes in the law on trade marks due to come into force in October. Although trade marks on goods have been registered since 1876 – Bass's red triangle was the first – it has not been possible until now to register trade marks for service companies such as banks, building societies, and car rental companies.

□ EXECUTIVES from Thorn EMI have completed a management buy-out of Datatech, Thorn's international computer tape division, in a £4.5m deal. Dr Duke Ebenezer and Mr David Huntingdon, who headed Datatech, completed the deal through M4 Data, a company they formed with the backing of the ventures division of Investors in Industry.

□ COMPANIES with marketing strategies aimed at young people were warned that the youth market is shrinking rapidly.

The survey, from Marketing Direction, the consultancy firm, says the numbers of those in the 15-to-19 age group will fall by a quarter over the next decade to reach 1.1m. That level will stay broadly the same until "well into the 21st century," the survey says.

□ ASSOCIATION of Futures Brokers and Dealers (AFBD) announced that, by admitting 142 firms to membership, it had commenced operations as the self-regulatory organisation (SRO) for Britain's financial futures and commodities markets.

□ HOUSE price inflation is continuing to soar, with prices up 13.6 per cent over the year to the end of July, and with an increase of 4.4 per cent over the last quarter alone, according to the Halifax Building Society.

□ GOVERNMENT is introducing measures to encourage the spread of shared home ownership schemes, under which householders partly rent and partly buy their homes.

□ GUINNESS, the brewing and retailing group that in March acquired Distillers, the Scotch whisky producer, is undertaking a worldwide advertising review of its portfolio of whisky and spirits brands.

Innocence lost by retreat into sectarianism

Raymond Snoddy revisits his home town of Larne in Northern Ireland, launching a summer series of occasional features in which FT reporters rediscover their roots.

AS A SMALL boy, I found it impossible to miss the excitement generated by the coming to Larne in Northern Ireland of the British Thomson-Houston turbine plant in the 1950s.

At an exhibition in McNeill's Hotel we collected the glossy brochures until we were shoved away. As the great factory took shape on high ground overlooking the sea in the Country Antrim town, it seemed to many inhabitants like the start of a golden age, with 1,500 new skilled jobs in heavy industry.

Then, tourism still flourished, and hundreds of visitors from Glasgow came to stay in the three main hotels and tour the Glens of Antrim. It was said then there was a job in Larne for anyone who wanted one. And if we threw snowballs at the Roman Catholic children who had to pass the parochial primary school to get to their separate place of education, then it didn't snow very often and we would never have dreamed of throwing anything else.

That now looks like a lost age of innocence.

McNeill's Hotel, where Henry McNeill introduced tourism to Ireland in 1853 by offering package holidays for the mill workers of Lancashire, has been bricked up for years.

The other two main central Larne hotels have also closed, hit by a combination of the flight of tourists to the sun and Northern Ireland's troubles.

Although the predominantly Protestant town, far from the border, has seen little of the violence, tension has risen and several people have died in sectarian killings, including a local councillor.

The turbine factory, now part of the GEC empire, no longer produces turbines, and the number of jobs at the plant, which now manufactures power-station condensers and heat exchangers, has fallen from a high of more than 1,300 to 550.

The working life of Mr James Snoddy, a cousin, who retired at Easter from the GEC plant, tells much of the recent industrial history of Larne. He was working at the British Aluminium Works in the town when it closed in 1954. He helped to install the machinery in the Courtaulds factory near Larne, now gone. In 1966 he was there when Pye closed its radio factory. A job with STC, which took over the premises to make telephone exchanges, lasted 10 years until STC also pulled out of Larne and he moved on to GEC.

"Before I retire I am going to close GEC down because I closed down all the others," Mr Snoddy always joked to his workmates.

The GEC plant is still there, pumping a vital £5m a year in wages into the local economy, although it now has an almost deserted air. Mr Harry Andrews, the 35-year-old general manager and the first Ulsterman to be in charge in the plant's 31-year history, says there is three years' work in hand and costs have been cut with the introduction of flexible working. Fitters do their own materials handling, welders no longer have trimmers to dress their work and operators are responsible for their own inspection.

The future of the Larne plant, now existing on export work, could be transformed, Mr Andrews says, if there were new orders for UK power stations. "If Sizewell goes ahead, this factory is in a very healthy position." A pressurised-water reactor needs more of what Larne produces than a conventional power station.

Unemployment in the area, is now around 18 per cent, although Larne is now Northern Ireland's busiest ferry port, and new arrivals include AVX Electronics, an American manufacturer of multilayer ceramic capacitors for the data processing and telecommunications industries.

Despite the rise in unemployment, the Rev Dr Victor Lynas, minister of Gardenmore Presbyterian Church, believes that materially life has greatly improved for the thrifty people of Larne.

But when he retires next year, after a ministry of 40 years in the town, it will be with a sense of disappointment that as a moderate he has been unable to halt the mental retreat "into old tribal reservations."

In 1969 he thought sectarian memories had faded enough for him to invite the local Roman Catholic priest to the opening of his new church hall. "All hell broke loose," Dr Lynas remembers. The building was picketed by supporters of the Rev Ian Paisley, who was the local Westminster MP until constituency changes at the last general election.

It would be impossible now to issue such an invitation, he says. Father Patrick Buckley, an irrepressible curate at St McNissi's Roman Catholic Church, has paid no attention to the old saying "keeping your head as low as a Larne Catholic."

When he first came to the town two years ago he began inviting himself to services at all the churches of Larne and was even accepted by the Free Presbyterians – the breakaway church founded by Mr Paisley. They said "sinners were always welcome."

Curiously, in the fiercely Protestant and Loyalist town, it is with his own hierarchy that Father Buckley has got into trouble for being, he believes, too outspoken in favour of ecumenicalism and integrated education. The Bishop of Down and Connor, Cahal Daly, has just removed him from his post and this month Father Buckley joins the ranks of Larne's unemployed.

Mr Tom Benson, a retired mathematics teacher, is also disappointed. After 12 years of arguing for non-sectarian politics as an Alliance Party councillor, he lost his seat last time round. Even if he had not been squeezed by the polarisation of local politics, there would be little for him to do now.

The council has just adjourned for three months in protest against the Anglo-Irish agreement, which many traditional Unionists see as only a first step on the journey to "Dublin and Rome rule."

Mr Jackie McKee, Democratic Unionist leader on the council says he then plans to force through a motion preventing council officials from taking decisions, which will force the Government to put in commissioners to run the town.

A banner over the council offices reads: Larne Says "No," and on local walls they are freshening up the paint on traditional Loyalist slogans such as "Not One Inch" and "No Surrender."

For Larne has a history of saying "No" to British governments. In 1974 the workers at nearby Ballylumford power station, which produces most of Northern Ireland's electricity, played a key role in bringing down the province's power-sharing executive.

In 1914, 35,000 rifles were landed at Larne harbour to arm the Ulster Volunteer Force against Home Rule – which is how as a child I came to play cowboys with a Mauser rifle, with "UVF 1914" stamped on its butt.

Mrs Thatcher, the Prime Minister, has now to persuade the Protestants of towns like Larne to say "Yes" or at least to acquiesce if the Anglo-Irish agreement is ever to take root.

Jobs slow to grow in the Glen

By Peter Marsh

LITTLE SIGNIFICANT employment growth can be expected from the small, independent technology-based companies operating in Scotland's so-called "Silicon Glen" between Glasgow and Edinburgh – despite the presence in the area of one of Europe's highest concentration of multinationals in electronics and semiconductors.

That conclusion, from a study by Edinburgh's Heriot-Watt University into the activities of Scottish high-technology companies, is worrying the Scottish Development Agency (SDA), the public body tasked with encouraging economic growth in the region.

Although the SDA has been successful in inducing a number of overseas-based electronics concerns either to set up or expand operations in Silicon Glen, the agency said yesterday that it was disappointed at the generally low level of activity by small, indigenous companies.

"There may need to be more of an educative process to instruct people how to be entrepreneurs," said the agency. Scotland's electronics industry employs 42,000 people and has rapidly expanded in recent years. But the 300 companies in the industry are dominated by the activities of a few big multinationals, mainly US-owned. They include IBM, Hewlett-Packard, Wang, DEC, National Semiconductor and Motorola.

The Heriot-Watt report looked at the growth of 54 small, independent companies

FT COMMERCIAL LAW REPORT

Trustee savings bank depositors have no right to assets

ROSS v LORD ADVOCATE AND OTHERS; TRUSTEE SAVINGS BANK CENTRAL BOARD AND OTHERS v VINCENT AND OTHERS

House of Lords (Lord Keith of Kinkel, Lord Roskill, Lord Templeman, Lord Oliver of Aylmerton and Lord Goff of Chieveley): July 31, 1986

THE ASSETS of a statutory trustee savings bank belong to the state and not to depositors; and accordingly, where such banks are abolished and replaced by limited liability companies established for the purpose, depositors cannot object to the transfer of assets to the successor companies in that they are entitled only to the return of their deposits with appropriate interest.

The House of Lords so held when giving reasons for dismissing appeals by Mr James Matthew Ross in a Scottish action, and the Rev John Vincent in an English action, from decisions of the First Division of the Court of Session and Mr Justice Scott respectively, that as depositors in Trustee Savings Bank (TSB) Scotland and TSB England and Wales, they had no interest in the bank's assets.

The respondents to the appeal were the Lord Advocate and others in the Scottish action, and the TSB Central Board and others in the English action. The Central Board succeeded in a cross-appeal from Mr Justice Scott's declaration that the bank's assets were held on trust for the purpose of paying sums due to depositors.

Section 1 of the Trustee Savings Bank Act 1981 provides: "... (3)(a) "savings bank" means a society formed ... for the purpose of establishing ... an institution in the nature of a bank – (i) to accept deposits ... for the benefit of the person making the deposits ... (ii) to accumulate the produce of the deposits (so far as not withdrawn) at compound interest, and (iii) to return the deposits and produce to the depositors ... without deriving any benefit from the deposits or produce ... (4) Subsection (3)(a)(iii) shall not be construed as requiring the return to a depositor of the produce of any deposit ... on which no interest is paid."

LORD KEITH said the question was whether depositors in a trustee saving bank had any interest in its assets other than the right to receive back their deposits together with interest contractually agreed.

Trustee saving banks were at present regulated by the Trustee Saving Banks Act 1981 and their rules. Depositors could have no other rights other than those conferred on them by the Act and the rules, and acquired by contract with the bank.

The provision of the 1981 Act on which the appellant depositors relied as giving them an interest in the assets of the bank over and above their contractual rights was section 1(3), which was reproduced in Rule 3 of the Rules of the Scottish and the English bank.

It was argued for the depositors that "produce" in section 1(3) (ii) and (iii) meant more than merely the interest on the deposit and embraced any increase or appreciation in the total assets of the bank. The argument sought reinforcement from section 1(4) which, it was contended, drew a clear distinction between "produce" and "interest" so as to indicate that the former should have a wider meaning than the latter.

Subparagraph (ii) of section 1(3) referred to accumulating the produce of the deposits at compound interest. The parenthetical words "(so far as not withdrawn)" must qualify "produce" and not "deposits". If deposits were withdrawn they could no longer have produce, whereas if the produce was withdrawn the deposits would continue to earn further produce. What was withdrawn could only be interest and what was accumulated at compound interest could only be interest.

Subparagraph (iii) referred to returning deposits and produce to depositors. Such return might take place when the bank closed, but it could also take place when depositors chose to withdraw their deposits. It was inconceivable that in the latter event any depositor could demand to receive more than the amount of his deposit with appropriate interest.

Those considerations led inevitably to the conclusion that "produce" in section 1(3)(a) and (4) could only mean "interest."

Section 20(1) of the Act provided that it was the duty of the bank to secure that "the aggregate of the sums owed by it to its depositors ... is matched by assets," and that the residue of the aggregate was matched by assets. Section 21(1) provided that the bank had power to invest its funds in assets of any description.

Those provisions contemplated that the aggregate of the sums owed to depositors should be ascertainable at any particular time, and that the bank might have assets of value in excess of the aggregate amount. "The sums owed by it to depositors" could only mean sums owed in respect of the amount of their deposits and interest. It could not include anything over and above those amounts in respect of residual interest in the assets, otherwise there would be no surplus capable of investment.

The provisions thus constituted further indications against the view that depositors had any residual interest.

Section 32 of the Act provided that when a bank was finally closed, the trustees should pay over to the Central Board any surplus moneys "after providing for the sums due to depositors and the Central Board may distribute the moneys among such other trustee savings banks as the Board think fit."

That was completely destructive of the argument that depositors had a residual interest in surplus assets. "The sums due to depositors" must have the same meaning as "sums owed by it to depositors" in section 20, that was to say, sums owed by way of principal and interest in respect of deposits. If depositors were entitled to share in surplus assets over and above such sums, there would be no surplus to be paid over to the Central Board.

The necessary conclusion was that depositors in a trustee savings bank had no proprietary rights against the bank or its assets, their only rights being those arising from and under their respective contracts of deposit.

The appeals should be dismissed.

LORD TEMPLEMAN, agreeing, said that by the Saving Banks Act, 1817, Parliament sought to encourage savings banks for small savers. Power was granted to the bank to lend money to the national debt commissioners repayable on demand at interest, providing safety, liquidity and regularity.

There was nothing in that Act which conferred the rights of a member on any depositor. Persons in control of the bank were deprived of any benefit.

Section 13 of the Savings Banks Act 1820 expressly conferred a power to the bank to distribute income and capital profits in the form of additional interest or capital bonus to depositors. That was amended by section 11 of the Savings Banks Act 1824 so as to be exercisable only once in 10 years.

The express power of distributing profits, and its amendment were inconsistent with the theory that depositors possessed any interest in surplus assets.

The Saving Banks Act 1828 repealed and replaced the Acts of 1817, 1820 and 1824 with amendments. The trustees of a statutory savings bank remained entitled to distribute income and capital profits made before November 20 1828, but no profits or surplus accruing after that date could lawfully be distributed.

Profits were to be handed over to the commissioners to form a separate surplus fund available to ensure that every depositor from time to time received the full amount of principal and contractual interest due to him, but no more.

Section 2 of the Post Office Savings Bank Act 1863 provided that on the final closing of a trustee savings bank the trustees should pay over the net proceeds to the commissioners and unpaid depositors were henceforth to be considered as depositors in a Post Office Savings Bank.

Those provisions were inconsistent with the suggested right of any depositor on closure of the bank to receive any of the surplus. He was entitled to the return of his principal and interest but had no further claim on the separate surplus fund.

Since 1863 to the present day, Parliament had from time to time authorised expenditure out of the surplus fund, but in no instance had it provided for any benefit for depositors in addition to repayment of principal and interest.

The Trustee Savings Bank Act 1981 consolidated the earlier Saving Banks Acts, with amendments. Under the 1981 Act no depositor was entitled to anything other than the return of his principal and contractual interest. That was consistent with the earlier legislation.

The Trustee Savings Banks Act 1985 abolished statutory savings banks and replaced them by successor limited liability companies established for the purpose. Abolition took effect on July 26 1986.

The appellant depositors disapproved, as they were entitled to, of the abolition of statutory trustee savings banks. They brought the English action before the vesting day with the object of frustrating or postponing the abolition.

Mr Justice Scott rightly declared that the depositors were entitled to repayment of principal and interest, but no more. The appeal against that declaration was dismissed.

The appellants argued that if statutory savings banks and their surplus were not "owned" by depositors, the banks had no owner and the surplus assets were in limbo.

The arguments were false. Statutory trustee savings banks and their assets belonged to the state, subject to the contractual rights of depositors to the return of their deposits and interest, and subject to the powers and duties of the National Debt Commissioners and Central Board, both state institutions.

The judge also declared that the assets of the bank were held on trust to provide for payment to depositors of the sums due to them.

The respondents in the English action cross-appealed against that declaration.

The theory that statutory savings banks held their assets on trust was founded on the erroneous assumption that before 1828 a depositor possessed some kind of equitable interest in the assets. A depositor between 1820 and 1828 might hope to obtain additional interest or capital bonus, but that did not confer any equitable interest in assets on a depositor.

Mr Justice Scott relied on the fact that under the 1981 Act the rules entitled depositors to appoint and remove trustees and to examine accounts.

Those rights enabled depositors to ensure the affairs of the bank were properly conducted, but did not suffice to convert creditors into trust beneficiaries.

Depositors were entitled to principal and interest and no more. If they disliked being depositors in a company bank as opposed to a statutory savings bank, they had had full opportunity since enactment of the 1985 Act to withdraw their deposits, and they were at liberty to do so now. The cross-appeal was allowed.

Their Lordships agreed with both speeches.

In the English action:

For Mr Vincent: J. H. Hicks QC, A. C. Taussig and David Sears (John Howell & Co, Sheffield.) For the TSB Central Board and trustees of TSB England and Wales: Andrew Morritt QC and Christopher Symons (Theodore Goddard). For the Treasury: Timothy Lloyd QC (Treasury Solicitor).

For Mr Ross: W. D. Prosser QC and W. S. Gale (Martin & Co, for Drummond & Co, Edinburgh).

Lord Cameron of Lochbroom QC, Lord Advocate, in person with A. C. Johnson QC (A. McMillan, Edinburgh, Treasury Solicitor).

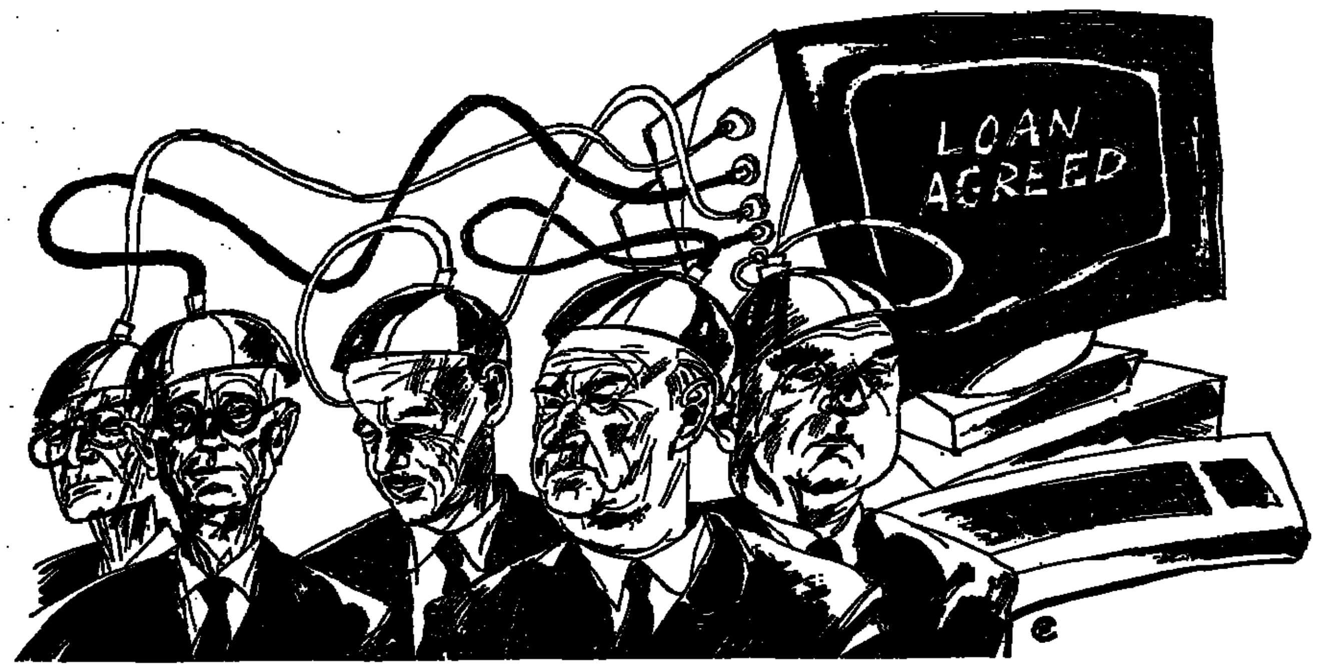
For the TSB Central Board and TSB Scotland: John Murray QC and Donald J. D. Macfadyen QC (Theodore Goddard for McClure Naismith, Edinburgh, and W. & J. Burness, Edinburgh).

By Rachel Davies

Barrister


WHAT'S BEHIND
THE NEW CITROËN
BX19 GTi?
AUDI 80 QUATTRO
BMW 320i
CAVALIER SRi
To leave names like these trailing behind, you need something pretty powerful in front of you.
That's why Citroën have launched the new BX 19GTi with a 125bhp Bosch fuel injected engine, capable of 0–60 in 8.8 seconds and 123mph (sorry, officer).
It's also ahead as far as looks go, with a distinctive new shape, luxury sports seating, electric sunroof, performance car instrumentation within a stylish new facia, and aerodynamically curved wing mirrors (in which you can watch the competition disappear).
But the new GTi won't just grab your attention, it will also grip the road.
The low-profile tyres combine with new front and rear spoilers to keep the car on the ground, the unique Citroën suspension provides that rare combination of poise and balance to keep it on the level, and the all-round power-operated disc brakes keep it under control.
All of which makes our latest top of the range Citroën BX a must for putting through its paces.
To find your local dealer dial 100 and ask for Citroën Freefone or, for more information on the flagship of the new Citroën BX Fleet, write to Citroën Freepost at the address below.
The £9,184 Citroën BX 19GTi.
Why follow the crowd, when you can be in front of it?
NEW CITROËN BX 19GTi (1905cc) £9,184. PRICE CORRECT AT TIME OF GOING TO PRESS AND INCLUDES CAR TAX, VAT AND FRONT/REAR SEAT BELTS. DELIVERY AND NUMBER PLATES EXTRA. PERFORMANCE FIGURES SOURCE: MANUFACTURER. COMPETITORS PERFORMANCE COMPARISON: 'CAR' MAGAZINE JUNE 1986. FOR FURTHER INFORMATION WRITE TO CITROËN U.K. LTD, FREEPOST, LONDON N4 1BR. FLEET AND EXPORT SALES: CITROËN U.K. LTD, MILL STREET, SLOUGH SL2 5DE.

TECHNOLOGY



White collar robots go to work

Louise Kehoe, in San Francisco, on how electronic systems incorporating expert knowledge and the ability to make human-like judgments have aroused the interest of some of the largest companies in the US

CREDIT authorisers of travel-related services at American Express in the US have a new "assistant," a computer system that embodies the expertise of five of the company's most senior authorisers. This so-called "expert system" is one of the first commercial applications of artificial intelligence and marks the entry of AI into mainstream business computing.

With over 300 of the largest companies in the US already looking into the potential of artificial intelligence, and at least 100 actively working in the field, expert systems are poised to make an important transition from the laboratory into the workplace.

The commercialisation of expert systems is overdue. Hundreds of expert systems have been created over recent years, but the vast majority are either research projects or at best commercial prototypes. Now, expert systems developers are beginning to overcome the technical barriers to making expert systems work in the "real" worlds of business, finance and government.

As programs that make computers appear to think, reason, and use human-like judgement, expert systems represent a revolutionary new branch of computer technology. Also dubbed "white collar robots" they can automate jobs that require considerable knowledge and human judgement. Expert systems have been designed to diagnose disease, to provide financial advice, analyse chemicals, predict earthquakes, interpret weather data and edit newspapers. Their potential seems limitless. Wherever human experts make repetitive decisions based upon knowledge and experience it is possible, at least in theory, to capture that expertise in a computer program.

In practice, however, commercial applications of expert systems are generally less ambitious. Companies are taking a cautious approach to the new technology. At American Express, for example, the credit authorisation system was first prototyped to prove its feasibility and is now running in a pilot project mode providing decision support to about ten of the company's 300 authorisers. Whereas the system is capable of making credit decisions alone, American Express chooses to use it only in a back-up mode, because of a long-standing corporate policy that assures cardholders they will not be denied credit by a computer.

Similarly at Travelers Insurance, a major US insurance underwriter, although there are lots of potential applications of expert systems under study, the first and only working system is a relatively simple personal computer-based program that diagnoses computer problems in the company's distributed computer network.

Although the results of expert system research have proven conclusively that the technology works, "vendors of expert systems still have to demonstrate that AI technology can yield real economic benefits," acknowledges Alex Jacobson, president of *Inference Corporation*, one of the four leading US expert system development tool companies.

Some companies have, however, already been persuaded. Northrop Corporation, the aircraft builder, is about to begin operational use of a system that automates the time consuming process of "process planning" for the production of sheet metal parts. It normally takes eight to 12 hours for a process planner to figure out the sequence of machine tool processes needed to make any one of the thousands of small sheet metal parts needed to build an aircraft. Given a detailed description of the geometry of the part, the computerised expert system can do the same job in just 15 minutes.

The companies that provide expert system development tools can each between them list a dozen or so "working" expert systems, but it will take 10 or 20 times as many examples to persuade most people that expert systems are really useful, Jacobson believes.

"You have to be patient in this business," he states. His seven-year-old company began selling its expert systems building tools to commercial users 18 months ago but only a handful of Inference's customers have so far put expert systems into operational use.

Part of the problem is that expert systems are so very different from conventional computer software. An expert system comprises two major parts: a "knowledge base" and an "inference engine."

The knowledge base contains all the available information relating to a particular application—the symptoms of a blood disease, or the credit histories of a group of individuals, for example. The knowledge base is programmed with information obtained from experts and textbooks in a given field.

The inference engine contains a set of "rules" that should be applied to the knowledge base in order to reach a conclusion. These rules are a computer programmer's attempt to define, in computer language, the thought processes that a human expert applies to the same problem.

When a question is asked of the computer "expert" it searches through its knowledge base, applying rules in a "what if/then" type procedure until it comes up with an answer.

The process of developing an expert system involves "extracting" knowledge from human experts and coding it into computer language. A "knowledge engineer"—part psychologist, part computer programmer—interviews the human to find out how he developed and uses his expertise. A major problem is that most experts are rarely in situations where they have to vocalise the various aspects of their job. But according to those who work in this field, most of their subjects become enthused about the process and are very co-operative.

Most expert systems programs are custom designed by or for an individual company or user. There are already, however, a few standard applications that have a more general appeal. Examples include financial planning programs such as the "financial advisor" from Palladian and "planpower" from *Applied Expert Systems*. Both programs are designed to support certified financial planners who assist companies and individuals with their investments.

Another ready-made expert system from Persoft, called just "More," analyses huge databases to choose the best targets for direct-mail promotions. The system automatically refines its analysis each time a promotion is completed, so that it becomes more accurate with future mailings.

Custom designed programs will probably continue to represent the largest portion of the business, Jacobson believes. Expert systems typically contain proprietary data and ideas.

At Ford Motor Company, for example, expert systems are being developed to capture the expertise of engineers who are near retirement age. The automobile manufacturer is also exploring the use of expert systems to improve performance among groups of people who do the same job. An expert system support operation can assist everyone to work to the same level as the best experts.

A major barrier to the application of expert systems in business has been the problem of integrating them into existing computer systems. "The challenge of implementing the expert system at American Express was not so much in developing the expert system itself as getting it to work in real time with the conventional computer data base," explains Bob Flast, vice president of transaction services for the American Express travel related services company. "Our requirement was for a system that could pick up data from the mainframe and respond during a 90 second phone call."

Linking expert systems to existing computer systems "is probably the single most challenging obstacle to the use of expert systems," says Harvey P. Newquist III of DM Data, a market research firm. He notes that most expert systems are currently developed on special "symbolic" processors using *computer languages developed* by artificial intelligence researchers, making them largely incompatible with conventional computers.

In a major commitment to bringing expert systems into the "mainstream" of business computing, Teknowledge, a leading US expert system development tool company, has translated all of its programs into a machine-independent language.

This has enabled NCR Corporation, the US computer group, to develop an expert system that runs on its computers simultaneously with conventional software. The system is designed to reduce computer faults and failures.

Built into the NCR computers before they are shipped to customers, the expert system analyses the computer's maintenance log and suggests preventative steps that can be taken to avoid system malfunctions, thus reducing the need for on site service. "The program improves the computer system uptime by allowing us to apply our years of field service experience," says Richard B. Reese, vice president of NCR customer services.

An unavoidable hinderance to companies trying to develop expert systems is the lack of qualified personnel available in the field. Most researchers are either at universities or involved in start-up AI companies. To acquire AI expertise, companies such as Ford Motor Company, Lockheed, General Motors, Nynex, Procter & Gamble and others have taken equity stakes in emerging expert systems companies.

Despite the barriers to commercialisation, expert systems have made significant progress. The US expert systems market was worth approximately $75m last year, up from just $4m in 1981, according to a study published recently by DM Data of Scottsdale, Arizona. By the end of the decade the researchers expect annual expert systems sales to total over $800bn. No longer just a laboratory curiosity, expert systems are about to become an important trend in business computing.

Swedes put the heat on building designs

EUROPE'S first computer simulation centre to test the effect of installing air conditioning and heating controls has been built in Stockholm by Flakt, Sweden's largest maker of environmental control systems.

Built at a cost of SKr 10m ($1.4m), the centre's aim is to offer customers the most efficient design according to a building's functions and workers' needs. Environmental control systems account for between 10 and 15 per cent of a total building and are often the first aspect of *the design considered in cost cutting.*

Flakt's centre contains a laboratory capable of simulating the main types of heating and cooling systems under the control of several IBM microcomputers. These control factors which affect a typical office. For example, the temperature can be varied *between 10 deg C and 40 deg C*, humidity changed between 15 and 80 per cent and air quality varied from 0 to 100 per cent. Even lighting and sound conditions can be tested.

Also other IBM machines are used by engineers to run Flakt's Byggsim computer simulation program, which optimises the costs of planned buildings, and computer-aided design techniques which are used to lay out the heating, ventilation and air conditioning networks in large constructions, produce engineering drawings and parts lists.

A US designed "intelligent" computer-controlled engine analyser is to be built in the UK by Allen Diagnostic Equipment, part of Allen group of the US.

With the unit — the Allen Computer Test Centre, the best selling US car fault analyser — an operator only has to connect a harness to a car and key *in make* and model to the computer.

The system then automatically takes over a detailed test sequence taking the engine through 138 tests and diagnostic sequences. The analyser then prints out a list of faults and instructions for the operator. It also produces an explanation in simple language for the customer. More details on 01-353 1174.

WORTH WATCHING

FINANCIAL and Corporate Modelling Consultants of the UK has developed an on-line computer system which should result in faster processing of mortgage applications, to meet high demand for home loans.

An electronic version of an application form is shown on the screen and details are filled in by a company employee in consultation with the applicant. Once completed, the system checks that the proposed loan is in line with the company's lending policy.

If the proposal passes this hurdle the computer automatically sends a message to the manager's terminal or electronic mailbox for approval. An application can therefore be approved within a few minutes.

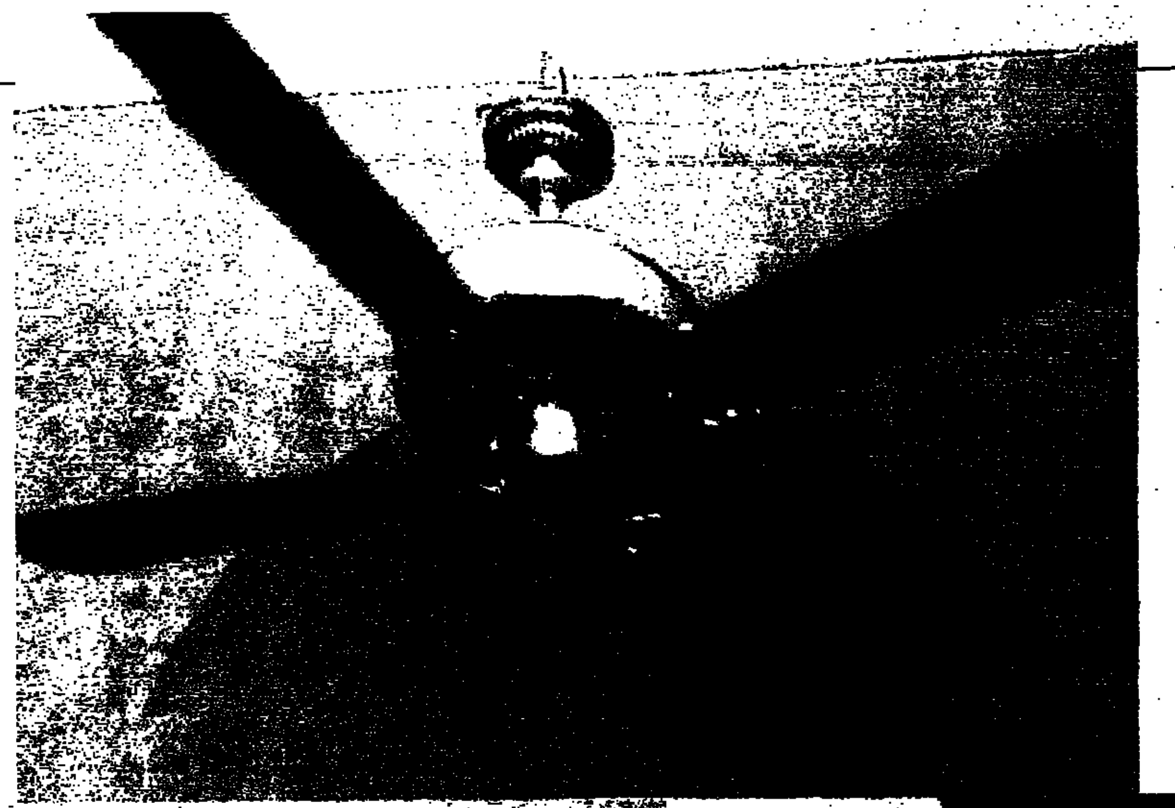
Called Morman, the system runs on standard IBM personal computers and UNIX/Xenix operating units. More details from the company in *London on 01 262 1021.*

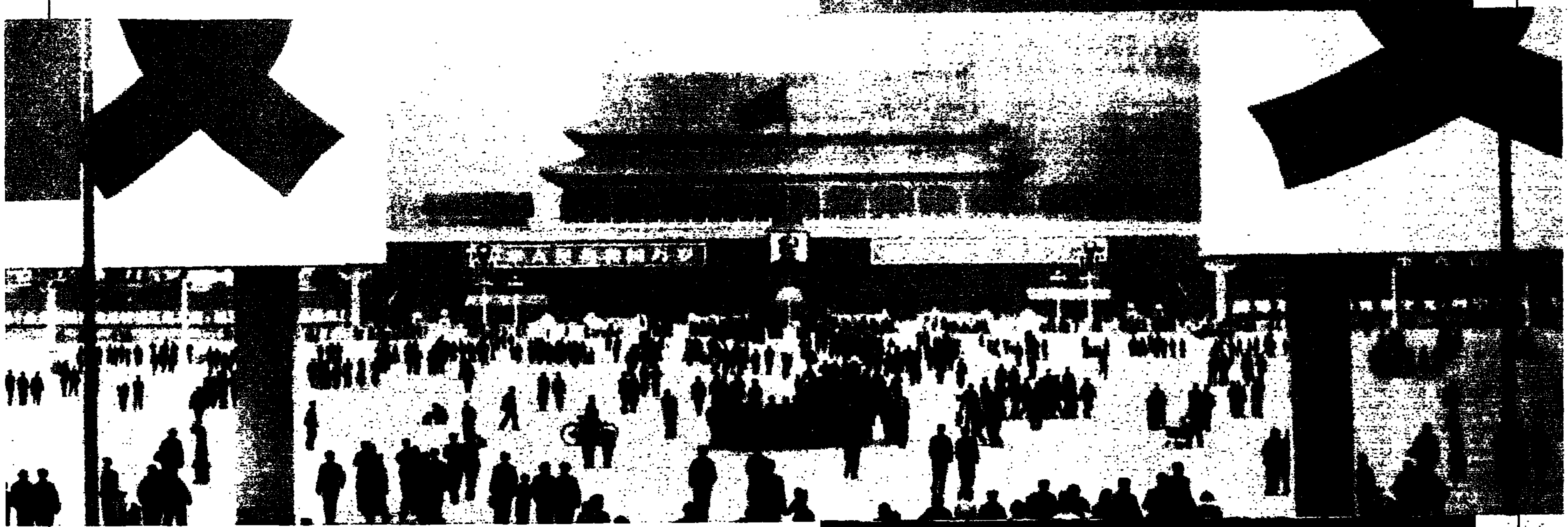
THE REVOLUTIONARY transputer—the computer-on-a-chip from Inmos the semiconductor subsidiary of Britain's Thorn/EMI electronics group—may make it it into space by the end of the decade, following promising tests on its ability to stand up to bombardment by radiation.

Smith Associates, a leading UK company of consultant engineers based at the Surrey Research Park, near Guildford, has recently completed tests that show the Inmos device is well capable of facing a life in space.

Remote sensing satellites, to be launched by the European Space Agency, are the most likely application for a transputer-based super-computer. Traditionally the space industry has been very conservative about the adoption of components, and many computer processors in space applications are considered old fashioned by industry in general.

ONLY ONE BANK IN CHINA HAS KEPT ITS DOORS OPEN FOR 120 YEARS.





Standard Chartered was the first western bank to open in China, as long ago as 1858.

And even more remarkably, it has offered an uninterrupted service, through some of the most turbulent times in China's history.

Over the years, the original office in Shanghai, together with others now open in Beijing, Xiamen, Guangzhou and Shenzen, has come to stand for two things.

First, a depth of experience in China which is of the greatest value to businesses seeking to seize today's burgeoning opportunities for trade.

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In a long list of major economies all over the world, Standard Chartered has achieved a remarkable balance.

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MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

Horticulture

High-tech plants in low-tech plant

David Spark reports on Microprop Roses

IN A FEW low-tech buildings on the edge of a wheatfield on the Nottinghamshire-Leicestershire border, part of the high-tech revolution is under way. This part is not concerned with electronics but with the rose trees you buy in the garden centre or at Woolworth. Neal and Barbara Wright produce half a million a year from tiny shoots, in a fraction of the space required for conventional rose-growing and in a form that garden centres can easily handle.

They are not the only revolutionaries in the rose-growing field. What is special about them is that they manage to do a high-tech job with low-tech equipment: honey jars, kitchen foil, agricultural blower, university-laboratory scrap. Not many people can expect to follow their particular path. It is one for specialists. But they do set an example for researchers in other fields of the way imagination can cut the costs of starting a firm.

Neal Wright always intended to run a horticultural business. His father is a farmer-cum-horticulturist in Suffolk, and he was himself selling plants when he was eight, having persuaded his father to convert a chicken shed into a greenhouse. He got his PhD, from Nottingham University, in tissue culture; it fascinated him because no one really knew about it.

But he wanted to work for someone else before he set up on his own. Twyford Laboratories in Somerset, then almost alone in the field, did not need him and he tried unsuccessfully to persuade other people to set up a laboratory and employ him. So in the end he started up Microprop Roses, near Nottingham, with £500 saved from his student grant.

"I thought I could do it better than other people. Having tried, I realised some of the problems. Research is good at producing a few samples. Producing 100,000 gets more difficult. Then you have to persuade people to buy the plants you produce."

Conventional rose-growers did not buy, so he turned to garden centres. He earned virtually nothing in the first year but he did put together £10,000 of capital, from a bank loan, an inheritance and a £4,000 prize from Nottingham City Council's business ideas competition.

He has had no help from government aids to small business. The small-industry scheme, operated by the Council for Small Industries in Rural Areas (Cosira), excludes farming and horticulture. Ministry of Agriculture schemes exclude tissue culture. "It's very irritating," says Neal Wright.

Tissue culture requires an even stream of air free of bacteria and fungus spores. Normally, special and expensive cabinets are needed. Wright bought air filters and agricultural blowers and improvised his own cabinets, using his knowledge of physics to achieve the even flow of air.

Neal Wright: growing roses in honey jars

The growing medium, too, must be free of the bugs which would love to grow in it. It must, therefore, be steam-sterilised in autoclaves "which are glorified pressure-cookers. When I started, I was using a pressure-cooker."

He knew universities scrapped their autoclaves regularly. "We turned ourselves into scrap merchants."

The Wright method is to put rose-tree buds in growing gel in a honey jar. They produce miniature rose-trees which the hormones persuade to produce many tiny shoots. After four weeks in a growing room, lined with aluminium foil to keep down the light bill, the shoots are cut off in a bug-free cabinet and planted in more gel, this time containing rooting hormones. The micro rose-trees go back to the growing room to produce more shoots.

The trickiest bit is to persuade the rooted plantlets to grow on in compost after being pulled out of the growing gel. For this, a mist propagator is needed, such as horticulturists use for rooting cuttings. At the moment, Wright, having just moved premises, sends his plantlets on to his brother who has a propagator for raising hop plants.

The plantlets grow on in trays for sale to garden centres. The Wrights also pot some trees for Woolworth and for sale by mail-order. Wright reckons that one rose-tree can produce 20,000 trees in a year by this micro-propagation method.

Traditionally, most garden roses have been produced on the roots of hardier roses. These rootstocks have to be grown, which takes space. A bud of the chosen variety is grafted into the stem of a rootstock, and the bud will develop into a saleable tree 15 months later.

It then has to be dug up and potted if it is to be sold in a garden centre. But Wright roses do not need to be planted in the ground until a customer buys one. And, since they grow on their own roots, they do not produce the suckers—shoots from the rootstock—which gardeners dislike.

Growing roses on their own roots is a heresy in the rose world. But Wright finds his are just as hardy and disease-resistant as roses budded on to a rootstock. "They apear to be more vigorous and to produce more flowers."

With a health certificate from the agricultural advisory service, and their ease of transport—300 to a tray—they lend themselves to export. "We've sent a lot this year to West Germany. A batch is just going to Denmark. We'd like to send to the United States but imports there are restricted."

The Wrights sell to garden centres at 21p-28p per tree depending on the size of order. The centres like to buy in March, the start of the growing season. They pot up the trees, re-pot them as they grow bigger and care for them through the summer, before selling in the autumn at £1.50 to £2.50. The Wrights grow the roses which appear most popular in catalogues but micropropagation has obvious potential for getting a new variety on to the market quickly.

Philip Harkness, of the famous Hitchin rose firm, is confident of the future of micro-propagated roses but feels that at present floribundas and hybrid teas propagated this way take too long to grow on to saleable size. Barbara Wright believes the public is prepared to buy smaller bushes provided they will grow on in the garden.

The Wrights employ another Nottingham graduate, Val Davis, as their laboratory supervisor. She keeps an eye on the growing micro-trees, to see when the shoots are ready for cutting. This is a task which part-time workers do particularly well, a full day is too tedious.

The Wrights normally employ 25 people but have had to cut this number while they re-establish themselves on their new site. "We are now taking back staff laid off last year. We lost one or two people we would have preferred to keep."

Moving was imperative to gain space. At their old rented plot they had only a quarter of an acre with room for only one polythene tunnel to keep rose trees through the winter. They now own two and a half acres. Having established the new nursery, Wright plans to propagate other woody plants. He had met an order for 20,000 cherry-tree rootstocks before the move.

The Wrights' sales totalled £9,000 in their second year, £45,000 in 1984 and £90,000 last year. This year they hope to pass £100,000.

Valued Added Tax

Less red tape may ease the burden

William Dawkins reports on EEC proposals for reform of administrative practice

THE European Commission has proposed wide-ranging reforms to the way in which small businesses account for Value Added Tax.

Its proposals —if accepted by the Council of Ministers—will mean big reductions in paperwork for businesses with annual sales of less than Ecu 150,000 (£100,500). The changes were primarily promoted by Britain but go slightly further than the ideas for simplifying VAT put forward in the UK Department of Employment's recent White Paper, Building Businesses . . . Not Barriers.

They will come as a relief to small businessmen in the UK, who have repeatedly told Whitehall that collecting and administering VAT is by far their most onerous administrative burden—even if the new rules do not go quite as far as most lobby groups would like. The commission has proposed three main reforms, the first two of which are closely in line with the White Paper.

- VAT should be claimed and paid on a cash basis when goods have been paid for, rather than—as at present—when they are delivered. Apart from reducing the number of records businessmen need to keep, this should improve companies' cash flow by releasing them from the need to pay VAT on bills that have not yet been honoured.
- VAT should be assessed annually, rather than quarterly as under the present British system. Businesses should also get the option to make regular down payments for VAT owed throughout the year. These would be based on a 12 month assessment and should make financial planning easier by smoothing out variations in the size of VAT payments.
- The third proposal, not in the recent UK White Paper, is to allow some kinds of small businesses to pay VAT at a fixed rate calculated as a percentage of turnover. This would be a much simpler way of working out payments than the present system of totting up individual invoices at the end of each accounting period. It would only apply to very straightforward businesses that make regular and predictable purchases.

The announcement follows pressure by Britain to encourage the European Community to join it in seeking ways to reduce official red tape which it fears is hampering small businesses' growth and job creation prospects.

The changes are also intended to introduce some uniformity to the way in which VAT is administered throughout Europe. At present, individual community members run widely different VAT accounting systems, with special exemptions available for businesses with annual turnovers ranging from Ecu 23,000 up to Ecu 530,000.

However, the commission is still a very long way from allowing Whitehall to respond to one of UK small businessmen's most persistently voiced demands for VAT reform: to lift the annual turnover threshold above which traders have to register for the tax from the current £20,500 to £50,000 or even £100,000.

The Brussels authorities did announce last week that the standard VAT registration threshold is to be doubled from Ecu 5,000 to Ecu 10,000. But that is no good to Britain which, like the Irish Republic, already gets special treatment with an allowance for an exceptional Ecu 35,000 threshold.

That is just £2,300 above the UK's present VAT registration limit. It does not give the Treasury much room for manoeuvre and it is thought to be as far as the European community is prepared to go. However, last week's announcement should be welcome news for small businesses in countries below the new Ecu 10,000 threshold like West Germany, France and the Netherlands.

In brief...

BINDER Hamlyn, the accountancy firm, has updated its booklet, Government Help for Your Business.

This is to take account of the 10 schemes to have been withdrawn and the 24 to have been added or changed by the UK Government and the European Community since last year's edition came out. The booklet also acts as an introduction to the firm's computerised financial assistance matching service, whereby clients can get a quick and accurate read-out of the aid programmes for which they qualify. The booklet costs £5 (and is free to Binder Hamlyn clients) and the matching service costs £57.50. Details from Binder Hamlyn, 8 St Bride Street, London EC4 4DA.

●

HOW TO Finance Your Growing Business is the title of a seminar to be held at six science parks throughout Britain between now and the autumn.

Organised by the UK Science Park Association with the US-owned research consultancy, Venture Economics, and accountants Peat Marwick, the seminars aim to make young companies aware of the sometimes confusing range of financing options available to them and how to go about raising funds. Speakers include local and national venture capital providers, local bankers and, where relevant, representatives of grant aid bodies. Details from Charles Monck, UK Science Park Association, telephone 091 487 8941.

●

A RECENTLY launched service enables small businessmen to make use of fax machines — which transmit documents along telephone lines—without having to spend around £2,000 on their own equipment.

PAX (Person to Person Accelerated Xerography), based in London, has placed fax machines in the offices of 60 couriers throughout Britain so that non-fax owners can have documents sent anywhere in the country within two hours, or 30 minutes for central destinations.

The sender's local courier sends a motorcyclist to collect the message, faxes the document to a courier near the recipient, who then delivers it by hand to the final destination. Three or four similar fax agencies already exist in Britain, but PAX claims to be the only one to use couriers and to charge a fixed rate, £10 per three-page document.

PAX also runs a telex sending and delivery service and plans shortly to launch a fax link-up with three agencies in the US, which will give it national coverage there. Details from Peter Welsh, PAX's chief executive at 19 Russell Street, London EC2 5HP.

More established businesses which can afford to buy their own fax machines will find an assessment of every model on the market, including price and performance, in the latest issue of What to Buy for Business. Single issues cost £15.75 and subscribers pay £46.50 for 10. Details from Tracy Baines, 11 Kings Rd, London SW3

●

THE London Enterprise Agency (LEntA) is to repeat for the third time its Profit in Store exhibition, which gives small giftware makers a chance to sell to big department stores.

LEntA is looking for 60 small London-based producers of consumer goods to take part in the exhibition on November 13 at the Honourable Artillery Company, City Road, London EC2. The event is organised with the Export Buying Offices Association, members of which include agents for overseas stores, and sponsored by BP and Shell. The association will select entrants and guarantee a large audience of buyers prepared to buy in quantities as low as one carton.

Makers of silverware, confectionery, pottery and candles are particularly welcome, but other products from jewellery to toys will also be considered. Exhibitors pay £75 for a stand, lighting and nameboard. Details from LEntA at 4 Snow Hill, London EC1A 2DL.

●

PROJECT North East, the Newcastle upon Tyne - based enterprise agency, is planning to open a viewdata service to provide information about starting up in business.

The on-line service, funded with £40,000 over two years by Esso, will be available in local careers offices, other enterprise agencies and libraries.

Businesses For Sale

BRITISH TRANSPORT ADVERTISING

British Transport Advertising (BTAD), a division of British Railways Board (BRB), and British Transport Advertising Limited (BTAL), a joint subsidiary of BRB and the National Bus Company (NBC), market, sell and service commercial advertising on sites at BRB stations and other BRB property and for NBC and other principals.

BRB and BTAL are seeking offers for this business. It is hoped to complete new arrangements by 30 September 1986, and accordingly, interested parties are requested to write to the address below no later than 15 August 1986.

Mr. J. B. Mander
British Railways Board
Room 181
222 Marylebone Road
LONDON NW1 6JJ

Any further information will be supplied solely at the discretion of BRB.

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For further details please contact:

Ian Holland or Geoff Rhodes

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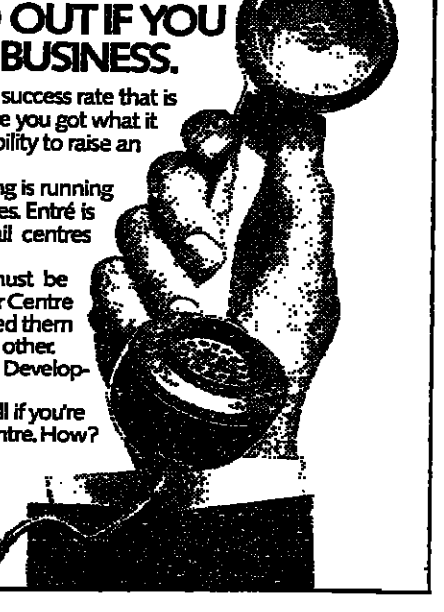

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THE ARTS

Victoria and Albert Museum/David Piper

Classical eroticism of a lost Victorian

"In the present state of the art almost any subject matter may be raised into importance by truth and beauty of light and shade and colours with an ostentatious mastery of execution. The higher qualities of art, beautiful form, character and expression are chatted about not felt or understood, but by very few.

"Expression, if strong, or character bordering on caricature are recognised by the people. Female beauty and innocence will be much talked about and sell well. Let it be covertly exciting, its material flesh and blood approaching a sensual existence and it will be talked more about and sell much better, well in the first state, doubly well in the second, but let excitement appear to be the object and the hypocrites will shout and scream and scare away the sensuality, the birds that would be pecking: when the scarecrow hypocrisy is silent, some blessed watchful crow will bear the fruit to his quiet parsonage."

A notebook of William Mulready's is open at the entry above, for May 1844, in the exhibition of his work at the Victoria and Albert Museum. Mulready came as an infant with his father, a leather breeches maker, from County Clare to London, part of that first wave of Irish immigrant labour.

Born in 1786, he took his first step on the ladder of professional and social success by gaining a place in the Royal Academy Schools in 1800, aged 14. He exhibited at the Academy first in 1804, and by 1817 had become a full Royal Academician. He lived on until 1863, and it is as a Victorian painter of anecdote that he tends to be classified in summary accounts although he was 51 at the time of the Queen's accession.

He was a pupil of the watercolourist, John Varley, whose sister Elizabeth he married when he was only 17. He painted her as charming but with anxious eyes and a petulant mouth, and had left her with four small sons by 1810. She is a tantalising subject of whom little is known though a few letters from her are vivid witness of difficulties on both sides of the relationship.

There has been no representative show of his work since the memorial one after his death, though an exhibition demonstrating his outstanding quality as draughtsman was put on by the Museum in 1972. The Museum is very rich in his work, thanks to the beneficence of his major patron, John Sheepshanks, the wool miller from Leeds, and the present show supplements its own holding by generous loans from elsewhere.

His landscapes range from English rustic and rural picturesque, to transcriptions as delicate as the early work of his friend, Linnell, to glimpses of ideal luminous pastoral. (Denizens of Notting Hill, where he lived and worked for years, may be surprised by what once was where now are bricks and mortar.)

He was never a formal society portrait painter. One specimen in that mode is included, as inert as any by the more pedestrian portraitists of the time, but his small scale, almost miniature likenesses, always of family, of friends or patrons become friends, are outstanding in their fresh immediacy and informality.

The genre subjects include of course the compositions featuring (often belligerent) small boys and youths. By those he was probably most popularly known; they are obviously anecdotal, but rarely sentimental and often illustrating differences of social degree and offering explicit or implicit comment.

They develop the tradition established so brilliantly by the great Dutch masters of the seventeenth century — Ostade, Steen, and so many others — and most recently taken on in Britain by the verve of the young Wilkie. Mulready seems at times to echo Wilkie's tawny colouring, but he was to develop a much more colouristic technique, glazing thin translucent colour over a brilliant white ground which illumines the whole work (and on which the pencil drawing under the paint is sometimes still visible).


Eloquent apprehension—detail from The Sonnet, one of the works by William Mulready in the exhibition at the Victoria and Albert Museum

That was the feature that the Pre-Raphaelites admired in Mulready, and adopted as their own, and which in this show may well entrance you often with its vivid crystal clarity.

Mulready's masterpieces using that technique are however on the contrary definitely pro-Raphael rather than Pre-Rapael, truly classical. They include paintings such as *The Sonnet:* the girl and boy sitting by a stream — she reads from the verses he has handed to her, that he has presumably composed. One hand is held to her mouth (in astonishment of embarrassment? or of delight?). He is bent forward over his body, hands clasped at ankles, head turned to watch her: a pose eloquent of shyness or apprehension but drawn with a skill that Raphael would surely have approved. Yet uncertainties of interpretation are also characteristic, as to what story the picture is telling.

There are ambivalences, ambiguities, and the reader must decide for himself what the boy's pose expresses (his face is hidden), what the relationship is — he seemingly in working clothes, she in bourgeois decorum — but whatever it may be, it is erotically fraught. So too is *Brother and Sister*, a virtuoso triumph of drawing, composition and colour: a young man, a girl, a baby; a group sinuously interlocked, the baby clutched on the girl's bare shoulder, the man's arm reaching round the girl as she leans to him, to tweak the baby's ear.

The exhibition is not arranged in orthodox chronological fashion, but grouped by categories: "People both Public and Private"; "Dialogues and Transactions", "Ruralism and its Discontent" and so on. This is tiresome if you wish to trace development of technique and style — you have to bob to and fro — but interesting on its own account.

It is well labelled but for the full justification and commentary, the book *Mulready*, by Marcia Pointon (£8.95) published by the Museum for this bicentenary occasion, is essential. It is not so much a catalogue as a monograph. It takes rather for granted the reader's knowledge of K. M. Heleniak's *William Mulready*, of 1980, which sorted out both biography and output. Dr Pointon is concerned more with the preconceptions, endemic in the artist's psychology, in the society of his time, that conditioned the work and, no less, the contemporary response to and "reading" of the work.

The author stresses quite rightly that without our understanding such factors, our own interpretations, in the 1980s, will be incomplete, but it does seem at times, as she instructs which questions we must ask, that she is aiming at the advanced student. Understandably, there is a lot of subsuming, but expressions such as "mythicise," "thematise," "valorise," have yet to be digested into the Common Readers vocabulary (or even his dictionary).

Confronted with some passages in the text he may feel as if, unarmed, he is engaged in a pillow fight. He should not however be discouraged. Mulready's compositions have unexpectedly complex depths, implications, resonances that will absorb the determined inquirer, and Dr Pointon is an assiduously learned, explicit and often illuminating commentator on them.

Mulready's remarkable contribution to the endless debate on the erotic in art quoted above will have alerted the reader that here is no dumb artisan. Yet even some highly intelligent and informed contemporaries of his regretted the "triviality" of his work.

Dr Pointon quotes F. T. Palgrave, who thought the contrary, not long after the artist's death: that they had deep meaning, were even "essential forms" of grace, unlikely to make him a truly popular artist. "The fit audience for such an artist will be inevitably few, at any rate in the modern world. An Athenian tribunal is required for men like Mulready, Flaxman, and Ingres." It's worth testing.

The exhibition closes on October 10, but will be restaged in Dublin (Irish National Gallery) and in Belfast this autumn and winter.

Berlioz/Albert Hall

Max Loppert

Sunday's performance by the BBC Symphony under John Pritchard that the *Grand Messe des morts* is one of the great Prom specialties—a work for which the whole series might have been invented (and vice versa). There is something inexhaustibly thrilling about the sight of those choral ranks stretching upwards (the huge choir was here a conglomerate of BBC, LSO, and Pro Musica choral forces).

And when the music sets the building resounding from top to bottom with brass and drum, one gains a sense of direct physical contact with the musical inspiration, a shuddering, shivering intimation of its grandeur, that very few other conjunctions of place, work, and occasion can equal.

For this reason, at the very least, a Prom Berlioz Requiem is always a great event. But there is more to Pritchard's performance than mere note-sounding. From first to last, the forces were under expertly knowledgeable control. The succession of rising and later falling curves of the opening immediately indicated as much—firm choral tone (a little weak in high-tenor metal, always the likely shortage in non-French choirs), a chaste yet decisive moulding of the line and placing of the timbres, a masterly awareness of where each part is headed and how it stands in the conception of the whole piece.

Ensemble between brass groups on high and voices and instruments down below was sometimes a fraction inexact, yet the "architecture" of the sound was securely built up by their combination—and also by the silences and pauses between movements, which are no less in the care of the experienced Berlioz conductor. Stuart Burrows' strained, wobbly tenor solo in the "Sanctus" (and the decision to allow him entry onto the platform halfway through the performance) were probably the evening's only easily identifiable weaknesses.

But, all the same, an important dimension of the music seemed to have gone missing. Pritchard is a civilised conductor, who tames and calms the daemon of the music he performs. The awesomeness and sheer strangeness, the nervous intensity of the Berlioz imaginative world tend to receive a tidying-up (in the "Lacrimosa," for instance, it was instructive to note the way the whiplash cut of rhythmic cross-accent against vocal line was just touched in rather than seized upon). It was not a Berlioz Requiem to leave one thinking, "This is modern music!"—and that, for all the good features of the performance, must count as a considerable fault.

Summerscope quartets/South Bank

Dominic Gill

Quartets vocal and string, straight and mixed, were the prominent themes of the weekend's *Summerscope* programme on the South Bank. On Sunday, under the festival heading of "Avant Garde," the American Kronos Quartet shared a recital in the Purcell Room with the amplified vocal quartet Electric Phoenix.

The Kronos's undiluted contribution on this occasion was thin: two very short play and film music extracts by Philip Glass that may have stood up quite adequately in the theatre (accompanying Beckett's *Company* and a film about Mishima), but by themselves sounded more than ever like Laurie Anderson without the slickness (or the toughness). *Minimalism* is a cop-out when it sounds like nothing more than the "best bits" of a 30-minute work played a hundred times, instead of the work itself.

Tim Souster's *Mareas* for four solo voices and four-channel tape took two Neruda poems as its text: a quirky, uneven, rather muddled affair, I thought, which laid a lot of emphasis on electronic techniques such as ring-modulation and vocoding, and not enough on the quartet's own vocal virtuosity. It built to an impressive climax—but the eventual short passage near the end, when the solo voices stood alone for the first time, was more of a relief than can ever have been intended.

William Brooks's *De Harmonium* for both quartets, string and vocal, with tape was more complex and substantial: an ambitious foray into the poetry of Wallace Stevens that is still theoretically unfinished (and sounds like it), but contains the seeds of a major piece for an unusual medium. It left behind a number of lingering *resonances: I specially liked the* imitation of the sounds of deep breathing made by the string instruments, and the lively romp of "Life is Motion," with its—should one call it "body percussion?" Daryl Runswick's *Looney Tunes*, for the same combination, subtitled "The Wit and Wisdom of President Ronald Reagan," was mildly amusing, but never hard-hitting. It could have been more fun, I guess, if Runswick had stuck to the idiom of light cabaret he knows best, and if more of the words had been audible.

*

On Saturday the Endellion Quartet gave a programme of Bartok, Berg, Webern and Britten on the Elizabeth Hall's stage newly extended for the opera productions this week—a shape which is soon to be a permanent feature, and which suits the ambiance and acoustic of chamber recitals very well indeed.

Their performances were all of them good, workmanlike, intelligent—rather than high-flying, inspired. Their Bartok third quartet was very well put together, but all the same, in its impulse and accent, a little *prosaic, unmagical.* The dramatic presence was a shade two-dimensional: a nice swirling *misterioso* in Berg's Lyric Suite preceded an adagio appassionato whose intensity was never really caught and sustained. It was plain that the players felt the music much more strongly: but their intentions were consistently more vivid than their sound.

Elisabeth Welch/Donmar Warehouse

Kevin Henriques

Elisabeth Welch's night-cap of songs and reminiscences drawing on her remarkable career in Paris, London and New York is as pleasurable an entertainment as late-night London presently offers. In a modest, charming, always humorous way, she celebrates the master songsmiths — Cole Porter, Jerome Kern, the Gershwins *et al.* She delivers their work, not with the world-weary reluctance or casualness of a veteran performer, but with the eagerness and vitality of a singer finding them for the first time.

Miss Welch's main trademarks have always been her clear enunciation, giving every syllable of the words their full worth, and her rich, liquid timbre, securely her own. They are clearly in good shape as she re-introduces us to such familiar standards as "Love for Sale," "Smoke Gets in Your Eyes," "The Man I Love" and "The Nearness of You."

In addition there is the rarely heard Gershwin number, "My Cousin from Milwaukee" (from the 1933 show *Pardon My English*). A number from *Pippin* and one from *La Cage Aux Folles* ("That's the nearest to 1986 tonight," she advises us), are the most contemporary tunes in this neat, 75-minute ramble through a career spanning well over half a century in which she is accompanied discreetly by a trio led by pianist Jonathan Cohen.


Elisabeth Welch

Among so many gems the ordinary "Bye Bye Blackbird" seems ill-suited as does Johnnie Ray's hit from the 1950s, "Such a Night." Yet Miss Welch invests even the latter with a depth and point surely not intended or visualised by its composers.

On the way she reminds older listeners and informs younger ones that she brought Edith Piaf's great "La Vie en Rose" to London shortly after the last war for the revue *Tuppence Coloured*. She tells of her big bit "Solomon" from the 1933 show *Nymph Errant* in which she remembers Gertrude Lawrence "stretched out on top of a large pouf."

Whether singing or reminiscing Elisabeth Welch is an enchanting entertainer. My colleague Michael Coveney, writing about her last year in the *Jerome Goes to Hollywood* entertainment, also at the Donmar, called her "amazing." To which I say only, Amen.

Six more performances only, on August 8, 9, 10, 15, 16 and 17.

Lyudmila Semenyaka/Covent Garden

Clement Crisp

Lyudmila Semenyaka, in Friday night's performance of *Raymonda*, had the advantage of Alexey Fadeyechev as her partner. Fadeyechev, a strong dancer, a clear stage personality and an excellent partner, gave the Crusader hero a sense of manly dignity—every Bolshoy danseur seems able to make a single bold arm gesture and command our respect, as he does that of the characters he addresses on stage—and provided the secure and responsive support needed by Semenyaka's lustrous dancing.

In Semenyaka's performance we see a culminating statement about the Russian classic dance. There is, first of all, a ravishing physique. The head is ideally placed on the long neck, a pure line running through her body so that, in the simplest position, with one leg extended behind her, we trace the exquisite rightness of academic rule in the harmonious continuity of an ideal shape, fruit of the Vaganova schooling in which she was educated.

We see, too, a use of arms more generous, more responsive to richness of contraposto than is usual even with Russian dancers; at every moment Semenyaka's arms crown her movement, whether by the purity of their form or, as in Raymonda's last act variation, by playing with phrasing, teasing us with the idea of the danseuse as Hungarian heroine, and showing with a lovely daring the charm with which this solo may be presented by a ballerina wholly mistress of her art.

There is, above all, an inevitability and a grandeur about her account of this role — not famous for its dramatic nuance —which speak of Russian dedication to the art of classical dancing, and a loving comprehension of what 19th century repertory and language must mean today. (This is the quality which distinguishes Yury Grigorovich's version of *Raymonda*, making it superior to any other I have seen.)

Semenyaka's interpretation, which lives sublimely through her account of the dances rather than through any spurious emoting, can be seen as the summation of the role's history in Russia since the ballet's creation in 1898. From Pierina Legnani, the first Raymonda, by way of such ballerine as Marina Semyonova and Natalya Dudinskaya, the process of purification and enriching through *experience has resulted in the* style as well as the fact of *Semenyaka's performance.*

Thus the adagio in the Vision Scene on Friday night was to be hailed as an amazing statement about classic ballet itself: profoundly moving as a display of great schooling, it was flawless in utterance, the dance marvellous in its breadth of scale as in its refinement of means. Anyone fortunate enough to have witnessed this adagio was seeing the classic dance plain.

And everywhere the severest laws of the academic style were made to seem proper, liberating of expression, even happy, through Semenyaka's radiant control of technical effect. She was light, adorable in the variation with the scarf that Jean has given her; she touched movement with *the airiest* grace in the pretty solo in Act 2, making it seem like the most fluent coloratura; she revealed a blaze of physical power, seeming borne on long phrases of energy, in the coda to the second act's quintet, covering the stage with a fleetness sprung from the music. Her acute musical sense was also part of the marvel of her last act variation, which toyed in enchanting fashion with the steps, the score, and the concept of a Hungarian solo of the tautest rhythms and bewitching charm.

The temperament which *guided this* memorable performance is at once serious and gracious, noble and sincere. The proscenium arch is a huge magnifying glass for character as well as for physical gifts. Through its close-ups, Semenyaka is seen as a great artist who speaks ballet's truth with beauty and the surest understanding.

The Creation/Barbican Hall

Richard Fairman

The early performances of Haydn's *Creation* make an interesting history. It is not certain how many performers took part at the work's premiere at Vienna's Burgtheater in 1799. (Not more than a hundred seems likely.) But within a couple of years there is evidence that the total number of participants could be 300 or even more. Authenticity can be a difficult matter to judge.

At around 60 members, the Academy Chorus is small by early 19th century standards. Their firm and disciplined singing, however, was one of the strongest assets in Sunday's concert at the Barbican Hall, ideal in scale for a venue where large choruses are not easily accommodated. The bass line, in particular, projects with incisive strength and their launching of the fugue in "Vollendet ist das grosse Werk" set out with great purpose.

With this kind of energy and attack the choruses made up the best part of the performance. Elsewhere the playing of the Academy of St Martin-in-the-Fields under Neville Marriner was sensitive, poised, supple and expressive. What it missed was any more specific shaft of understanding: the Prelude's chromatic undertow never really hinted at chaos, nor did the first ray of sunshine obviously divide darkness from light.

A similar vagueness of intention sometimes invaded the solo singing. Both Maldwyn Davies and Stafford Dean offered very accomplished musicianship; but other tenors have made the silver moon more poetic, other basses have found a softer, more flowing line for the limpid brook. Best of the three was the soprano Margaret Marshall, whose purity of tone and positive shaping of phrases made her an almost ideal Eve. Only an occasional dip in intonation kept her one step away from Paradise.

*

The late Prom on Friday night moved down the road to St Luke's Church, Chelsea. Most of the traditional effervescence of the Proms seems to get left behind at the Albert Hall, but these outside venues do provide a chance for more modest works to get a hearing in surroundings of the proper size.

The scale of St Luke's is ideal for the BBC Singers. Its acoustics allowed a fine romantic bloom and impressive range of dynamics for the spiritually exultant works of Bruckner and Wolf which framed the programme. And there was no lack of clarity as the choir, sometimes divided into a dozen or more parts, masterfully tackled new works by John Casken and Giles Swayne

In sound and substance these two pieces could hardly be more different. Casken's *To fields we do not know*, first heard last year, is a "Northumbrian elegy," dense, complex and powerfully atmospheric. The texts for its five movements are a potent mix of poetry rooted in Casken's home country of the North-East. But so heavily worked are the settings that the words soon get lost in waves of overlapping syllables.

The attraction of the music comes in its allusive power. Amid a welter of sounds the ear is continually caught by new ideas: clusters of notes that suggest romantic harmonies lurking below the surface or dense, shifting textures that seem to evoke the stormy sea pictures of Bunting's poem *Briggflatts*. In the last movement repeated chords surge over each other in a typically memorable last climax. Under their conductor John Poole the BBC Singers made light of the work's immense difficulties.

After this Giles Swayne's *Missa Tiburtina* certainly sounded clear and logical. Ideas come one at a time here. First a rhythm, then a chord, and so on. But unfortunately few of those ideas are sufficiently strong or original to hold the attention. Instead of welcoming the clarity of thought, the listener found himself ready to plunge back into Casken's whirlpool of invention and give that another try. Perhaps the pieces should have been performed round the other way.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

August 1-7

WEST GERMANY

Bayreuth. Wagner Festival: Tristan und Isolde, produced by Jean-Pierre Ponnelle, conducted by Daniel Barenboim; Die Meistersinger; Peter Hall's Ring; Wolfgang Wagner and Guiseppe Sinopoli's version of Tannhäuser (921 20 221).

Heidelberg Festival Heidelberg's romantic castle grounds are again the scene of an open-air music festival until August 31. The programme offers Albert Lortzing's Hans Sachs and Telemann's little known opera Der Geduldige Sokrates, both produced by Peter Oeolnik and conducted by David Effron. A mainstay for many years has been the Student Prince. There will also be chamber and symphony concerts. Heidelberg Theatre, 4 Theaterstr., 6900 Heidelberg 1 (0 62 21/210 76).

ITALY

Macerata: Arena Sferisterio: I Pagliacci and Cavalleria Rusticana conducted by Alain Lombard; Il Trovatore conducted by Anton Guadagno, with Giorgio Zancanaro, Yasuko Hayashi, Fiorenza Cossotto and Lando Bartolini. (4 07 35).

Ravenna: Rocca Brancaleone (Ravenna Festival): Lucia di Lammermoor with Mariella Devia, Luis Lima, Juan Pons and Michaele Pertusi, conducted by Carlo Franci (3 61 61).

LONDON

Bolshoi Ballet at the Royal Opera House, Covent Garden with the Golden Age, Spartacus and Raymonda. (240 1066).

Festival Ballet at the Royal Festival Hall with Giselle (followed by Ashton's Romeo and Juliet. (928 3191).

VIENNA

Volksoper: Die Fledermaus; The Magic Flute.

NEW YORK

New York City Opera (NY State Theatre): The week features the new productions of Werther, conducted by Sergiu Comissiona in Lofti Mansouri's production and Don Quichotte, conducted by Mario Bernardi and directed by John Copley, along with La Bohème, The Marriage of Figaro and Madame Butterfly. Lincoln Center (870 5570).

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Tuesday August 5 1986

Transatlantic tunnel vision

THE INCREASINGLY ill-tempered argument between Bonn and Washington over West Germany's fiscal and monetary stance does no great credit to the good sense of either party. So far as the broad issues of world growth are concerned, it is far more heated than the issues could justify. While it is certainly questionable to argue, as the German authorities do, that any relaxation of taxes or interest rates would court over-heating—a point underlined yesterday by the rather drab growth forecasts from the IFO Institute in Munich—it is equally exaggerated to argue that Germany could make more than a marginal contribution to solving America's problem.

The arguments, which ought to be cast in technical terms and to concentrate as much on financial as on economic problems, have become obscured by moralising on both sides. The self-righteousness which all too often inspires Bonn's economic diplomacy has been positively inflamed by lectures on international duty from Washington, seen in Bonn as the world capital of reckless borrowing. This helps to explain why the German-American exchanges are so much less constructive than those between Washington and Tokyo, where the underlying imbalances are far greater. Tokyo agrees on the need for adjustment and asks for time and understanding. The Germans seem at times simply to be demanding admiration.

Ideal conditions

The fact is that the German position is paradoxical—that of the good husbandman who refuses to harvest his fruit because it looks so handsome on the tree. It is true, as Bonn claims, that four years of fiscal retrenchment have left the whole German financial system in very sound shape. Federal borrowing has been reduced—a reduction which would be seen as drastic were output slowed to make up for lost time. The corporate sector is in a strong liquid position and private credit demand is low. The money supply figures reflect the abnormally high level of corporate cash balances.

These financial conditions, along with a strong current account surplus, sharply improved terms of trade and falling retail prices, provide virtually ideal conditions for expansion; but while Bonn would welcome any expansion generated within the private sector, and indeed parade it as an achievement of government policy, it argues that any official stimulus would be risky.

The arguments offered in support of this stance are not convincing. It is pointed out that wages have accelerated somewhat; but the latest output figures suggest that this acceleration is largely covered by productivity. The Bundesbank asserts that the underlying domestic inflation rate is still about 2 per cent; but this is based simply on comparing import costs with retail prices, making no allowance for the fact that companies naturally adjust their prices to falling input costs with some caution, especially when they are having to cut their export prices to adjust for a strong currency.

A Bundesbank official recently cited the 5½ per cent GDP deflator as evidence of domestic inflationary pressures, but this is a statistical howler. This figure has little to do with domestic costs. It largely reflects the need to deflate the large trade surplus to allow for the fact that this reflects better terms of trade rather than real growth.

In the last resort, of course, the Germans might claim that their internal growth targets are their own affair; but they cannot justify a similar attitude to interest rates. Dollar borrowing costs are of concern to the Federal Reserve, anxious about widespread credit risks, to the debt-burdened countries of the Third World, and indeed to the US Government, since debt service is so large an element in its deficit. To avoid the risks involved in further unilateral US cuts, which might provoke a new dollar slide, the Germans should be willing to do more than stonewall, either through rate cuts—or, if they are determined to protect their monetary chastity, through the taxes on foreign depositors they have deployed in the past.

The principles of accounting

WITH LITTLE fanfare, the UK Treasury yesterday published what could prove to be an influential—possibly seminal—report on accounting principles. Although technical and demanding, the study should be required reading for finance directors and accountants, especially those who for the past decade have poured scorn on what is popularly but misleadingly known as inflation accounting.

The report, Accounting for Economic Costs and Changing Prices, decisively rejects the traditional method of historical-cost accounting, which is still supported by a majority of practising accountants, arguing that current-cost accounting (CCA) is necessary if economic costs are to be measured properly.

The study is the work of a committee chaired by Mr Ian Byatt, the Treasury's deputy chief economic adviser, which includes such respected academic accountants as Prof Bryan Carsberg, director general of Oftel, the telecom watchdog, and Mr Andrew Likierman of the London Business School. Diehard opponents of CCA cannot, however, dismiss the report as the recommendations of impractical intellectuals as the committee is dominated by practitioners; three partners from leading accountancy firms and finance directors from both public and private sector enterprises.

Majority view

The committee's main brief, naturally enough, was to see how accounting principles might be improved in the nationalised industries, the segment of the economy for which the Treasury bears a direct responsibility. Meaningful accounts are particularly important in this sector because, with no market disciplines imposed through takeovers and share price fluctuations, the accounts are the main vehicle for judging efficiency. Meaningful accounts, however, are also highly desirable in the private sector and the Byatt report notes that its theoretical arguments about the measurement of profit and valuation of assets are applicable throughout the economy.

The recommendations of the Treasury study are likely to seem straightforward and sensible to everybody except a large body of professional accountants who remain emotionally attached to time-honoured techniques of asset valuation which would arouse the scorn of A-level economics students. The majority view in the profession, for example, is that accounts need reflect neither changes in the general level of prices (inflation) nor the changes in relative prices which are the mainspring of economic growth. This is also the position legally enshrined in the Companies Act. The Byatt report, to its credit, argues that both types of price change ought to be reflected in accounts.

The root idea of CCA is that balance sheet valuations should reflect the current value of assets to the business. This sounds so obvious as hardly to need stating. Yet what companies routinely do is value assets at their (irrelevant) historical purchase price less some rule-of-thumb depreciation. Naturally if people really need to know what the assets are worth, for example because of a takeover threat, such a balance sheet is thrown away as merchant bank advisers rapidly "revalue" everything in sight.

Different measures

Proper asset valuations, of course, involve subjective judgments but, as the Byatt report argues, "the measurement errors involved . . . pale into insignificance compared with those involved in ignoring the effect of changing prices."

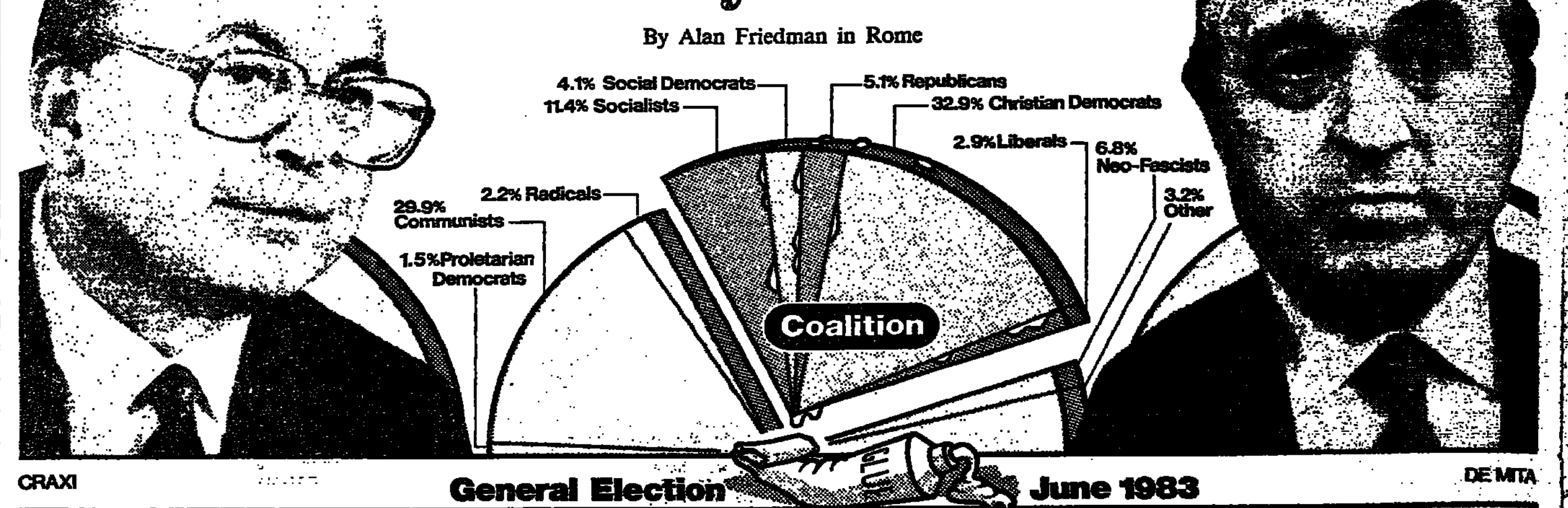
The Treasury study contains some new theoretical flourishes but broadly it supports the stance adopted for several years by most academics interested in accounting theory. This is that in addition to a CCA balance sheet, company accounts should routinely report two different measures of price-adjusted profit: the surplus after maintaining the business's real operating capability and the surplus after maintaining the real value of shareholders' equity. The question is not whether such figures are desirable but how companies can be persuaded to provide them.

It has become clear recently that the non-statutory Accounting Standards Committee lacks the power to impose on companies any accounting obligations which they themselves dislike. It is equally certain that finance directors and accountants will not spontaneously respond to the cogent arguments of the Byatt report. A general improvement in accounting standards is improbable unless the Government accepts some responsibility for promoting reform.

ITALIAN POLITICS

Anatomy of a crisis

By Alan Friedman in Rome



"THERE HAVE been neither victors nor vanquished." That is the phrase being repeated endlessly these days by senior politicians in Rome now that Italy's five-week government crisis is finally over.

The phrase, which is being intoned like a Gregorian chant, is a way of saving face for both the feuding Socialists and the Christian Democrats. Their crude struggle for the Premiership—rather than any dispute over issues of substance—has been the central feature of the Rome crisis, which brought to an end the longest surviving government (three years) in the history of the modern Italian republic.

The crisis itself began as a result of a parliamentary ambush on June 26, while Mr Bettino Craxi, the Prime Minister, was in The Hague at an EEC summit. Only four minutes after the Craxi government won a vote of confidence, some 72 MPs, members of the Prime Minister's own five-party coalition, switched sides and voted against the government.

The ambush was made possible because of the unique right which Italian MPs have to a secret ballot, even on the most banal of issues. Whether this act by parliamentary "snipers" was an attempt by the Christian Democrats to bring down Mr Craxi and instal their own man, or a ploy by Mr Craxi's own Socialist Party to bring matters to a head in order to consolidate their leadership, may never be known.

The roots of the crisis, however, lay in the long smouldering resentment on the part of Christian Democrats over the pact that their party, which has one third of the national vote and has had a major role in every government for more than 40 years, should have to continue to suffer the indignity of a Socialist Prime Minister—and one who was seen to be doing well at that. The Premier has had the good fortune to preside over a major upturn in the Italian economy, and to see the country's image substantially enhanced

After June 27, the crisis quickly degenerated into a vicious slanging match between the two leading members of the five-party coalition. Political observers in Rome say the exchange of insults between Mr Craxi's party and the Christian Democrats, whose leader is Mr Ciriaco De Mita, was unusually vitriolic even by the standards of Italian politics.

The crisis took a turn for the worse when President Francesco Cossiga, the Christian Democrat head of state who is meant to be above party politics, eventually chose Mr Giulio Andreotti, the crafty Christian Democrat who was five times Prime Minister in the 1970s as Prime Minister - designate. Nearly everyone had expected Mr Craxi to be given the chance first, and the Andreotti effort failed in the face of solid opposition from Mr Craxi's Socialists, who refused to support any government which did not have Mr Craxi at its head.

Now a form of peace, or armed truce, has been agreed. The compromise worked out will allow Mr Craxi to stay on as Prime Minister until next March, when his Socialist Party is supposed to pledge its allegiance to a Christian Democrat Prime Minister until the end of the present parliament in June 1988.

The "July crisis" (as some Italian commentators are describing this summer's political conflict) has had two direct results: it ruptured the image of stability in Rome which had been praised by bankers, industrialists and investors both in Italy and abroad; and it reminded the five parties of the coalition that they have no realistic alternative but to co-exist if they wish to maintain a parliamentary majority which excludes the opposition Communists.

The second point did not require a long and drawn-out crisis to be appreciated. The first is considered a great shame by businessmen who have watched the Italian economy transform itself in recent years into a serious and internationally competitive industrial machine.

In Rome, where politicians do not like to admit that the crisis was any more than an unedifying power struggle, the emphasis is, as always, upon short-term political goals. Mr Craxi seems a happy man, for he gets to stay on at the Palazzo Chigi for another eight months.

Mr Craxi, who has certainly done more for Italy's international standing than any of his predecessors in recent years, clearly revels in being the Prime Minister. He also plays the part of the spoiler quite effectively, for without his Socialist Party's 11.4 per cent of the vote, the much larger Christian Democrats are unable to cobble together a majority coalition.

Mr De Mita, the cunning Naples-born leader of the Christian Democrats on the other hand has been looking a bit sour in recent days. He is pleased that the Socialists have finally accepted the principle of rotating Prime Ministers, and he especially likes the idea of setting a time limit on Mr Craxi's tenure in office. But he would have preferred to have seen Mr Giulio Andreotti taking over as Prime Minister immediately.

Despite all the positive-sounding rhetoric coming from Rome politicians, the resurrected five-party coalition (of Christian Democrats, Socialists, Republicans, Social Democrats and Liberals) faces a serious inbuilt problem: Messrs Craxi and De Mita, despite being the leaders of the two biggest parties in the coalition, are bitter political rivals and appear to despise one another. They are said to be barely on speaking terms.

This animosity explains why the coalition which has been patched together again (to be approved formally by Parliament by the end of this week) is little more than an armed truce between political enemies.

And that, according to Italian and foreign bankers and stockbrokers, is a depressing political outlook for a country which is the world's seventh leading industrial economy and which is experiencing an economic boom not seen since the 1960s. As soon as the crisis broke out, business leaders such as Mr Luigi Lucchini, president of Confindustria, the employers' association, made a series of urgent appeals for "a stable government which is able to steer the country with certainty." The appeals fell on deaf ears in Rome.

The Milan bourse, which has seen its market capitalisation grow from $28bn to $100bn in the past two years, tends to favour Mr Craxi, mainly because his decisive leadership has helped the battle against inflation and has given the private sector room to grow following its financial and industrial restructuring in recent years. "The danger signalled by this crisis is that we risk a throwback to an earlier time in Italy, a time when Rome politicians meddled constantly in state industry, the private sector, banks and markets and just about anything they could get their hands on," warned one leading stockbroker in Milan.

This danger, however, need not be overestimated. Italy's business leaders say in private that the crisis, while in their view a thoroughly disreputable affair, has not truly harmed the economy.

Inflation has been dropping in Italy for three years, from 15 per cent in 1983 to barely 6 per cent now. The fall in oil prices (Italy relies on imports for 70 per cent of its energy requirements against a European average of 40 per cent) and the weakness of the US dollar against the lira have given the economy a major fillip this year. Companies such as Fiat, Olivetti, Montedison and others are not only enjoying record cash flows and cheap capital from the equity market, but are actually making important industrial acquisitions in other parts of Europe.

The recent takeover of Triumph Adler in West Germany by Olivetti, of Fermenta in Sweden by Montedison, plus the car component deals in France reached by Mr Carlo de Benedetti (Valeo) and by Fiat (Matra) are evidence of an Italian economic resurgence.

Italians continue to enjoy Europe's most generous welfare state

How much of all this can be traced directly to Mr Craxi's strong leadership since August 1983? Comparatively little, it would seem. His achievements are more in image than in substance, although the confidence his leadership has inspired, especially in places such as Wall Street and the City of London, should not be minimised.

Mr Craxi, breaking with the Christian Democrat tradition of waffling compromise, has been Italy's most combative post-war leader. He slashed several percentage points off the Scala Mobile wage indexation system by decree and then won a referendum on the same issue—and this has helped the downward trend in inflation levels. His government, thanks largely to Bruno Visentini, the Republican Finance Minister, has taken on shop, restaurant and bar owners who have traditionally been among Italy's greatest tax evaders.

In foreign policy, Mr Craxi has been active, promoting Italy's role in Nato and the EEC, seeking to expand Rome's influence in the Mediterranean and Middle East and working out new treaties with Washington which have led to closer collaboration between anti-drug and anti-Mafia law enforcement agencies. The current trial of 474 alleged Mafia members in Palermo is not a direct consequence of Mr Craxi's leadership, but it certainly represents an important attempt by the Italian state to take on the criminal organisation.

Mr Craxi also argued successfully for Italy's inclusion in the now-expanded "Group of Five" club of finance ministers and central bankers, which was touted in Italy as a mark of great prestige.

What then, are Italy's prospects in light of the package deal reached between Mr Craxi and Mr De Mita? On the business front the smash-and-grab tactics of Rome politicians may not have a deleterious effect. But the crisis inevitably has delayed action in one crucial area—reducing Italy's runaway public spending.

Italians continue to enjoy Europe's most generous welfare state and a host of local authority programmes are lavished upon the populace by vote-hungry parties. The result is an annual public sector deficit which is running at $75bn, equivalent to 15 per cent of gross domestic product. The accumulated state debt equals about 100 per cent of annual GDP.

The need to issue reams of Government bonds in order to finance the deficit has kept inflation and interest rates artificially high. In this area the Craxi administration of the past three years has succeeded only in containing the deficit.

The programme worked out in the crisis compromise calls for action on the deficit, but there is considerable scepticism in Rome over whether the new government will muster the political will to tackle the issue.

Next March Mr Craxi is meant to leave the Palazzo Chigi and return full-time to lead the Socialist Party. That is the promise, at any rate. This being Italy, however, just about anything might happen. Mr Craxi could keep his word and go quietly, or another crisis could break out next spring. When it comes to the rough-and-tumble world of Rome politics. Harold Wilson's old adage about a week being a long time in politics could easily be amended: a day in Rome can be never-ending.

Strong pill for Beecham

Bob Bauman, introduced yesterday as the chairman-elect of Beecham, is moving into one of the hottest seats in British industry.

He is not a pharmaceutical industry man. Though, Beecham is keen to stress the pharmaceutical side of its business—if only to get its stock market rating up.

What then is Lord Keith, the outgoing chairman, up to?

"I think having a damned good manager is more important than having a specialist," Keith says. "The City of London would like a pharmaceutical man. But Bob Bauman has a wealth of international experience, and has been involved very successfully in high technology. He can find out about the pharmaceutical industry very quickly."

Fortunately Bauman is already well placed to understand the consumer products side of the group. At 55, the bulk of his career has been spent at the US groceries company, General Foods. He was made its youngest-ever director in 1974, and until 1981 was head of the group's international operations.

From there he went to the aerospace and financial services group Avco, as chairman and chief executive. On Avco's agreed takeover last year by Textron—a larger but not dissimilar conglomerate — he became vice chairman of Textron, which with sales last year of £4bn is substantially bigger than his new firm Beecham.

He is also going to be one of a handful of Britain's better-paid executives with a salary of about £675,000 a year. Although he will not be paid bonuses on top there will be generous share options to act as an incentive to spur him on.

Some of this may be risk money, if not against the chances of being sacked like his predecessor Sir Ronald Halstead, then against the danger of a takeover of Beecham (a prospect which looks a little less likely now than it did a few months ago).

Men and Matters

But then, as Keith remarks: "Whoever bought this company would have to buy his contract."

Living together

Cohabitation is a spreading political virus in France.

Not content with the already difficult exercise in political cohabitation between the socialist President, Francois Mitterrand, and the conservative Prime Minister, Jacques Chirac, Francois Leotard, leader of the Republican party, and the current minister of culture and communications, has been complaining about another and even more difficult cohabitation.

Leotard, one of the new stars of the French right, who openly says he wants to run for the presidency, claims that the cohabitation between the various parties for the right in the current government majority is proving far more unsatisfactory than that between the right wing government and the socialist president.

Although Chirac has so far been able to rely on his slim parliamentary majority, the various clan leaders on the right are already manoeuvring for the next presidential elections in 1988—or even before that.

Chirac is currently in the strongest position to lead the right in the next presidential election.

But in the background there is the weighty figure of former prime minister Raymond Barre—and former president Giscard d'Estaing has not lost all his hopes either.

Then there is Leotard who never misses an opportunity to lay his claims as a presidential candidate.

But Leotard has been coming under pressure in recent months. His youthful and dynamic image has suffered.

The young mayor of Frejus and committed jogger (he runs in the New York marathon) has found life as culture and communications minister heavy going.

After plunging into his role as minister with great liberal zeal, Leotard has been repeatedly frustrated by Chirac to the delight of the left-wing opposition.

The young liberal minister has been forced to climb down on several occasions when the neo-Gaullist Prime Minister has overruled him on controversial issues such as France's direct broadcasting TV satellite programme, broadcasting deregulation, and the building of a new opera house at La Bastille, Paris.

Leotard, who sees himself as a French Kennedy-like figure, has not been able to contain himself any longer. He recently made a public outburst against the difficulties of cohabiting on the right in France.

Reasoned case

Shakespeare, among others, may have scoffed at a woman's reasoning—but the law rates it rather higher today.

Claire Catmur complained to the Equal Opportunities Commission about her dismissal from a job as receptionist at a Coventry nightclub. Her employers, F and H Entertainments, had claimed she would be unable to deal with an increase in violent customers, and replaced her with a (higher paid) male steward.

The EOC advised the company that not only was she entitled to the same rate of pay but that it was unlawful to dismiss a woman on grounds of inability to deal with violence. Each sex deals with it in its own way, the EOC said.

Catmur was paid £750 in settlement of her claims after outlining her approach to awkward customers. She had reasoned with them and persuaded them to leave rather than by adopting the methods of the male stewards—hitting them with cricket bats and furniture.

Blacklist

Subversion comes in many guises in South Africa. At the weekend, the government censors lifted a long-time ban on Martin Luther King's "Stride Toward Freedom" but at the same time slapped a ban on "Two Dogs and Freedom," a collection of essays by black children on township life and their hopes for the future.

The book's title comes from a contribution by Moagi, an eight-year-old boy, who wrote: "When I'm old, I would like to have a wife and two children—a boy and a girl—and a big house and two dogs and freedom."

Black people in South Africa have recently been given freehold property rights. They have always been allowed to marry, have children and keep animals.

Down and out

What sort of a lunatic, asks Liberal News, would fling himself out of an airplane at 2,500 ft in aid of Liberal Party funds?

The answer is the editor of Liberal News himself, Paul Sample (a misprint, shurely) who intends to take the high jump over Goodwood airfield, near Chichester, on September 26. That is the last day of the Liberal Assembly so he should be in the right frame of mind.

Sponsors can take part—for a £1.50 donation to election funds—in a competition to estimate the time it takes Sample to come down to earth, the speed at which he descends, the spot where he will land, and the marks awarded by instructors for his style.

Observer

Letters to the Editor

Work, the way ahead and developing nations

From the Director-General, International Labour Office

Sir,—Fundamental changes are taking place in the world of work as you show in your excellent special report on "Work, the way ahead" (July 24). You have rightly pointed to the somewhat limited scope of the report, with only a passing reference to the problems of Third World countries which you correctly say are much more urgent in absolute and human terms than those of advanced countries.

What happens in the countries covered in your report will of course have an impact on the world of work in other parts of the world, "sooner or later," as you put it. But there is one fundamental facet of the problem which you seem to have overlooked: the rapidly changing social mood in the developing world already reeling under burdens of high levels of unemployment and underemployment, heavy external debts and higher tariff walls blocking entry of their products into markets of the industrialised world. In the OECD countries there are today some 35m unemployed — a number that does not seem to go down in spite of higher economic growth in western Europe.

The question is whether this growth will filter down to the distant developing nations. Time is running out for many of these peoples. They cannot wait for that distant day when economic growth in industrialised countries would begin to have some beneficial impact on their own livelihood. They certainly need to put their own house in order, but they need relief and aid now and this can perhaps be brought about only through a reversal of current protectionist trends in industrialised countries towards third world exports and thinning air flows.

ILO research spread across the whole canvas of the world of work—has highlighted the serious predicament of the developing countries even as industrialised northern nations are struggling to tackle unemployment, inflation and industrial stagnation: 35m jobless in the industrialised north as against almost 600m unemployed or underemployed in the developing south, increasing difficulty in financing social security programmes of the industrialised countries as against no social security whatsoever for the vast majority of the workers in the south, a gradual levelling of population growth (which in some industrialised countries appears to have touched zero levels) as against a steadily rising population in Third World countries.

All these factors portend areas of future confrontation between north and south because poverty anywhere is a threat to prosperity anywhere. Can the developing countries of the south, where more than two-thirds of the global population subsist, be made to wait patiently for the day when the revived and strengthened economics of the north can pull them up from the lower rungs of the poverty ladder? US Treasury Secretary Volcker said the other day the United States was no longer able to carry the burden of global economic recovery alone.

If we are to provide a measure of economic security and social justice for our peoples, there should be a co-ordinated global effort to tackle the problems looming over the horizon, and in doing so, we have to look particularly to the urgent needs of the working population of the developing countries.

Francis Blanchard,
Geneva, Switzerland.

The Community at sea

From the Deputy Director-General, General Council of British Shipbuilding.

Sir,—I refer to the letter from Messrs George Stevenson and Kenneth Stewart on July 31.

British shipowners share the view of the Socialist Group of MEPs that a strong Community fleet is essential. We reject, however, entirely the prescription for survival.

It is a fact of life that shipping is international and highly competitive. It is vital that EEC shipping should be free to compete effectively. Of course we share the view that some help is needed from the Community and our governments. We need them to hold the ring against protectionism—both within the Community and outside—and unfair competition. Our Government should also ensure that British owners can compete on a comparable financial basis as other free-world owners.

What we do not need is to become part of a planned and controlled Community economy. Our relationship with steel, coal and shipbuilding must be an open market one. We totally reject the view that state management of cargo is "not incompatible" with efficiency, as we do the sweeping allegation that non-domiciled seafarers are massively exploited.

Frankly, we are much more ambitious than Messrs Stevenson and Stewart. They apparently accept that EEC shipping can only survive as the protected adjunct of EEC basic industries. We envisage a continuing and substantial world-wide role, hopefully under EEC flags but if necessary under any other flag where acceptable standards can be maintained.

F. J. Whitworth,
30-32 St Mary Axe, EC3.

Flat out all week

From the Chairman and Managing Director, Robert Young and Co.

Sir, — I was interested to read the report (August 1) by Hazel Duffy about the bosses of industry working 16 hours a day, seven days a week.

The result of this lunatic behaviour, if true, is not particularly edifying for UK management in terms of our performance against the rest of the developed world, unemployment numbers, productivity and balance-of-payments deficit in manufactured goods, all the responsibility of senior management in particular.

Perhaps more time spent at leisure reflecting upon these inadequacies and schemes to resolve them would improve matters substantially. It would certainly be more productive than blaming the Government.

P. J. Treeby,
Cranstonhill Chemical Works, Elliot St, Glasgow.

Reforming the rates

From Cynthia Brown.

Sir, — According to your report (July 28) the Government is hell-bent on "reforming" the rating system by introducing a poll tax. I am much relieved by the assurance of Mr Waldegrave, the Environment Minister, that "nothing . . . makes us doubt that the basic structure of our proposals is right."

I wonder if the "basic structure" gives some indication as to how this tax will be collected. After all, the dog licence has just been abandoned because it is uncollectable. Car tax licences are the subject of wholesale evasion. And what about TV licences? Will there be people-detector vans roaming the streets, perhaps equipped with the infra-red heat seekers that the rescue services use?

Surely the Government does not hope to rely on the voters' lists. After all large numbers of people do not register, and if it meant saving a few hundred pounds a year tax, then even less will do so, especially if someone lives in a stronghold of the other party. Does it mean that resident aliens and peers will be exempt? Has Mr Waldegrave ever tried political canvassing in bed sitter land. If he did, he would discover that its inhabitants are as nomadic as a tribe of gypsies.

Are we going to have an army of sponsors authorised to burst into one's house without warning to conduct a head count?

How is the Government going to convince an old age pensioner barely subsisting in the poorer part of Westminster that she should be paying the same as a resident of a luxury apartment in Mayfair?

Perhaps the Government has not yet learned the lessons from the hammering it got recently over the Scottish revaluation, or maybe it really believes that "the right thing to do in policy terms" is to alienate the ratepayers in its southern bastions.

There is only one solution to the rates problem, which kills several birds with one stone. No, not a local income tax, but adding Xp in the £ to national income tax and for central government to dole it out to local councils on some formula. Of course this will have the disadvantage of depriving local councillors of the opportunity of raising taxes, getting rid of the multiplicity of separate assessment and collection bureaucracies in every borough, getting rid of the nonsense of one department charging rates and another one providing rebates, and above all it would prevent, once and for all, revolutionary councils elected on a minute turn-out, defying the policies laid down by what is supposed to be the supreme legislature — Parliament.

Cynthia Brown,
9a Priory Road NW6.

Young people's wages

From Mr R. Jenks

Sir,—The chairman of the British Youth Council (July 31) seems to live in a world of fantasy where the sole object of employers is to exploit low wages. Let me try to put him right with a few facts.

Wages are paid by customers buying goods and services. If wage rates are too high, those goods and services will not be available. If an outside body tries to intervene to raise wage rates then jobs will not be available for young people. Many young people cannot get jobs because they have no skills to sell.

Having entered a new trade young people are taught skills which the older people in the trade have themselves learnt when young. By the time they reach the age of 21 they should be worth the adult wage. If they are they will be kept on.

I am sure that the chairman of the BYC has good intentions and an open mind. A short course on economics with special reference to the lump of labour fallacy might work wonders for him.

Robin Jenks,
26 Alderbrook Road, SW12

City bill regulators

From the Chairman, Securities and Investments Board

Sir,—This is my first letter of complaint on Press reporting since becoming chairman of the SIB. The complaint is on the story by Mr Clive Wolman (August 1) headlined "MPs demand on City Bill dismissed by regulators" which makes the serious and totally unfounded accusation that the board has "brushed aside the demand of the Commons standing committee on the Financial Services Bill."

Mr Wolman was commenting on the latest SIB/MIBOC publication on life assurance products covering the use of projections, surrender values, and past investment performance. This publication is a development of the board's wide ranging policy statement on life assurance products published last April in response to comments made in the House of Commons committee stage of the Financial Services Bill. At the report stage the Minister paid tribute to the board for "responding so effectively to the points raised in committee," and a number of MPs on both sides of the House were similarly complimentary. The sole reservation was expressed by Mr John Butterfill, MP, whose views we respect but whose suggestions on the setting out of expenses for life assurance contracts the SIB/MIBOC did not find to be practical, though we believe that we have achieved his main objectives by other means. In the light of this record, for the Financial Times to state that the board has refused "for the second time to carry out the standing committee's wishes" is a travesty.

Nor is this all. Mr Wolman's article also stated that "most of MIBOC's members are from insurance companies" with the implication that the board's proposals were influenced by vested interests. This is an unwarranted slur, not just on those members of MIBOC who happen to have insurance company backgrounds, but on the majority of MIBOC members, including myself, who do not. It is a slur too, on all members of the SIB—the proposals were issued by MIBOC and SIB and represent the views of both bodies.

On the substance of the issue, I have yet to meet an insurance company which regards what we are to require by way of disclosure of charges, surrender values, illustrations, etc, as a "cop-out." Nor has *anybody resolved the real difficulties*, to which we refer in our papers, of making a meaningful disclosure requirement for expenses in relation to with-profits policies (which form about half of all life assurance contracts).

(Sir) Kenneth Berrill,
3 Royal Exchange Buildings, EC3.

Transport efficiency

From the Chairman, London Regional Transport

Sir,—Mr Fish (July 28) is unduly sceptical of our use of straightforward figures to illustrate unit cost improvements.

Input-based measures (cost per vehicle mile and vehicle miles per employee) were used because these show most clearly the success of management action in improving efficiency. Unit costs were reduced by 4.6 per cent in real terms in 1985/6, beating by a substantial margin one of the specific objectives set for LRT by the Secretary of State for Transport.

I accept that, theoretically, such an improvement could be brought about by increasing vehicle mileage regardless of demand. But as our report makes clear, passenger business is buoyant. The Underground carried more passengers last year than at any previous time in its history. Bus travel, although marginally down on 1984/1985, was higher than in any of the previous four years, even though the total mileage run by buses was slightly reduced. Cost and demand statistics come together in cost per passenger mile figures, which are also quoted in our Report. One of the points of advertising our results is to draw attention to this document.

(Dr) K. Bright,
55 Broadway, SW1.

Measuring life companies' financial strength

From Mr S. Tan

Sir, — Eric Short's article (July 28) on measuring life companies financial strength could not have been more timely. The need for an insurance companies rating agency along the lines of Best's in the US has grown much stronger — not only because of the new-found realisation that well-established companies may be vulnerable to financial difficulties but also because of the proposed (interim) guidelines on new business quotations.

These guidelines will ensure that all with-profit illustrations will indicate identical returns for all life offices, leaving brokers without this traditional means of differentiating between companies.

The interpretation of free reserves ratio figures from insurance companies' DTI returns by laymen is fraught with difficulties and dangers. In addition to the difficulty posed by the use of different actuarial bases, there is also the problem that DTI valuation reserves are calculated using a method which does not explicitly allow for expenses and future bonuses (and indeed does not even implicitly allow for terminal bonus) thus rendering it an inadequate method for comparing the relative financial strength of companies. It is also inappropriate to compare the DTI free reserves ratio of different companies without having regard to the mix of participating and non-participating business as this will favour companies with large proportions of participating business.

The financial strength of a life office as represented by its free reserves ratio, could well be due to the under-declaration of bonuses in the past, and this is a questionable basis on which brokers should recommend companies to their clients!

In the US environment where the with-profit element is less important, the Best's rating system which assesses the financial strength and operating performance of companies, has gained wide acceptance. The financial strength and operating performance are assessed by looking at five factors, viz: underwriting competence, expenses and efficiency, adequacy of reserves, investment performance, and capital sufficiency.

In the UK any attempt to devise a meaningful index for intermediaries should also take into account the "value for money" aspect and should include the above five factors, and commission, quality of service, surrender values, and past performance.

Actuarial and stockbroking firms should rise to the challenge of setting up an independent rating system as the need and demand for it will grow stronger with the passage of time.

S. C. Tan,
8, Woodgate House, 2, South Bank, Surbiton, Surrey.

Martin Dickson on Beecham's new management structure

The legacy of Lord Keith

THE MAJOR reorganisation of management structure announced yesterday at Beecham Group, the consumer products and pharmaceuticals business, is likely to go down as a classic case study of the changing nature of boardroom power in Britain.

For the reduction in the muscle of Beecham's chairman and executive directors entailed in the shake-up is one of the most dramatic recent examples of a general trend in the UK to give greater boardroom power to non-executive directors.

That said, yesterday's changes are very much the legacy of one man: Lord Keith of Castleacre, Beecham's outgoing chairman. They represent his personal perceptions of the group's past failures and future management needs, distilled during the nine months since he led the boardroom coup that ousted Sir Ronald Halstead, then chairman, and took his place on a temporary basis.

He has also drawn on his recent involvement at STC, the troubled telecommunications group, where he led another boardroom coup last year against the then chairman, Sir Kenneth Corfield.

Lord Keith (left) and Mr Robert Bauman.

The Keith model of a good management structure brings together this personal experience with a strong input of American ideas and the "best practices" advocated by British management experts.

The company announced yesterday that its long search for a new chairman had ended: Mr Robert Bauman, 55-year-old vice-chairman of Textron, the US aerospace and financial group, will take over in September, with Lord Keith resuming the role of vice-chairman prior to retirement from the board next year.

But the changes in board structure unveiled at the same time are likely to prove of equal importance to the future of the group.

"What I am trying to leave behind me," said Lord Keith, "is a thoroughly well-structured company, with checks and balances, so that no chairman should ever again be lord of all he surveys."

To understand the changes, it is first useful to know something of Beecham's history. Floated as a public company in the 1920s, selling pills and potions, it developed in the inter-war years into an important consumer products company and then, in the 1950s, added a powerful pharmaceuticals arm when it became the first company to develop a family of penicillin antibiotics.

In the 1950s, 1960s and early 1970s, particularly under the leadership of H. G. Lazell its aggressive consumer products division and successful new antibiotics took profits higher and higher.

However, growth has slowed markedly over the past few years, and analysts are generally agreed that the blame lies in considerable measure with the complacency and structural weaknesses that developed during the golden decades.

For example, the pharmaceuticals division, buoyed along by its early success, failed to broaden its product range. There was also rivalry in the 1970s between Beecham's two so-called "baronies"—the consumer products side, then headed by Sir Ronald, and pharmaceuticals under W. G. Petley. The legacy today is a top management with little knowledge of both sides of the business.

Beecham also began diversifying into other areas—such as home improvements—with a series of acquisitions which now seem misguided.

Amid mounting City unease about the company's direction, Sir Ronald was ousted last November after only 15 months as chairman. Those responsible say he was not tackling the group's problems with sufficient vigour, though he claims he was made a scapegoat for the past.

Whatever the reason, Lord Keith's new board structure is designed to prevent too great a concentration of power in the hands of one man. The roles of executive chairman and chief executive have been split to provide one set of checks and balances, but also greater resources at the very top.

The idea seems to be that as chairman Mr Bauman will concentrate on strategy—particularly on the pharmaceuticals side—with Mr John Robb, who was appointed chief executive after November's coup, concentrating on the day-to-day operations of the business.

"John Robb is a very tough executive," says Lord Keith. "I don't think the baronies will ever be allowed to rise again."

At the same time, the role of non-executive directors is being greatly strengthened to provide a check on the executive. First, their numbers will rise from three (one place is at present vacant) to six in a board totalling about 12 to 14. That is more than in most British companies, though less than the US practice of having a non-executive majority.

The composition is also changing. Lord Keith is 70 this year and the other existing non-executive, Mr Denis Allport, the retired chairman of Metal Box, is 63.

The four new non-executives are all younger: Sir Robert Clark, chairman of Hill Samuel, is 62, while the other three—Mr Andrew Buxton, Sir John Kingman and Mr James White—are all in their 40s.

And Lord Keith, keen to ensure that no one follows his example and remains a non-executive director for 38 years, is instituting a mechanism under which the positions of the outside directors are periodically reviewed.

The power of the non-executives is being increased by the establishment of three new board sub-committees.

- A remuneration and nomination committee, composed entirely of non-executives. This will continue its present job of setting board and senior staff salaries, but will add to this an important role in appointments. It will choose successive non-executives—a task previously in the hands of the executive directors—and it will also make recommendations to the board on a choice of new chairman, whether from inside or outside *the group.*
- An audit committee of non-executives will be set up for the first time at Beecham and will have the task of going through the accounts with the auditors at least twice a year before they are presented to the board. Audit committees are universal among large US quoted companies and are increasingly common in the UK.
- A finance and general purposes committee, bringing together executive directors and outside ones, will deal with such questions as rights issues and acquisitions before they come to the board for approval. Says Lord Keith: "We never again want to get our first sight of details of a major acquisition attached to the board papers."

The board appointments announced yesterday inject some strong new talent into the group. "We need new blood," says Lord Keith. "Beecham has a lot of ingrowing toenails."

The question now is whether the chemistry between the newcomers and existing board can restore Beecham to the growth path and keep away any lurking takeover predator.

FINANCIAL TIMES
Tuesday August 5 1986

Madelin finds his inheritance a headache

MR ALAIN MADELIN, the 40-year-old French Industry Minister and one of the most zealous liberals in the conservative Government of Mr Jacques Chirac, is not taking a proper holiday this summer. A *workaholic who has been crunching* into major industrial dossiers as if they were potato crisps since becoming minister five months ago, Mr Madelin says he is about to set off on a short working vacation to the US next week.

He will be going to Disneyland at a time when the Walt Disney group is preparing to build an amusement park on the outskirts of Paris. Then he will be visiting the National Aeronautics and Space Administration (Nasa) since space is a crucial part of his industry brief.

His holiday would not be complete without a *session* with the chairman of American Telephone and Telegraph (AT&T), the US group negotiating a deal to gain a 16 per cent stake of the French public telephone exchange market through a link with CGCT, the troubled state-owned telecommunications group.

In the last few months, Mr Madelin has been one of the most active ministers in the new Government. While attempting to launch major liberal reforms in industrial policy designed in his words "to let the market place replace state interventionism," *he has had to tackle from* the start some considerable industrial headaches inherited from the former Socialist administration.

In the troubled French shipbuilding sector, he decided courageously not to renew the subsidies to the Normed shipping group. Normed has since filed for bankruptcy and the Government has drawn up a comprehensive and ambitious job reconversion plan for the 6,500 workers employed at Normed's three yards at Dunkirk in the north and at La Seyne and La Ciotat on the Mediterranean.

"Things simply could not go on as *they were," says Mr Madelin.* "The important thing to remember is that when you give money to one sector you are taking it away from another which could use it to grow, create new enterprises and jobs."

Last week, he took another significant decision when he approved the deal between France's state-owned CGE group and ITT of the US *to set up* a French-controlled telecommunications joint venture which will be second only to AT&T in size. Although the deal is a gamble for the French group, Mr Madelin believes that CGE needed a major industrial alliance if its Alcatel telecommunications subsidiary was *to remain a world leader in its field.* Mr Madelin is now completing the review of the AT&T - CGCT deal.

Although Mr Madelin has inevitably had to intervene closely in these landmark telecommunications deals, he claims he wants large French industrial groups, including state-owned ones due to be privatised, to run their affairs independently and rely on the market place rather than on state funds. He acknowledges that there are limits on how far and how fast the Government can move in changing the fundamental nature of French industrial policies. Indeed, he says he is having to undertake two types of industrial policies.

"The first is the management of industrial dossiers like cars and steel which we inherited. And it is a *dirigiste* inheritance," he explains, adding that the state is bound to continue to be closely involved in *finding solutions for them.*

His second task "is to develop industrial policies which are more liberal than in the past." To this end he is preparing a deregulation of energy and has already launched a cautious deregulation in telecommunications.

Paul Betts looks at the efforts of the French industry minister to let the marketplace replace state intervention

Of all industrial dossiers, perhaps the most difficult, and politically *charged is Renault. Once the sym*bol of all that was best in state-owned industry in France, Renault is now top of the world league of company losses. Renault lost FFr 10.9bn ($1.5bn) last year after losing a record FFr 12.55bn the year before.

Mr Madelin, whose father was a blue-collar worker for Renault, says the company "must also draw less funds from the state and more from the market place." He hints that his ministry and Renault are mechanisms to enable the company to raise funds to help it restructure its balance sheet.

The steel industry too is also due for a restructuring of production although, as Mr Madelin puts it, "We will always make steel in France." A report on the steel industry by Mr Jean Gandois, recently appointed chairman of the state-owned Pechiney aluminium and metals group, was commissioned by the Government. But Mr Madelin says the period of Government steel plans is now over. Instead, it will be up to the new head of the French steel industry due to be named shortly by the Government to run the industry with his own team.

An outsider, probably Mr Jacques Friedmann, the close adviser of Mr Edouard Balladur, the Economy and Finance Minister, is expected to be named at the head of Electricité de France (EdF), the powerful French state electricity utility, when its current chairman Mr Marcel Boiteux retires at the beginning of next year. This too is part of the broad programme of deregulation in the energy sector designed to develop competition between various energy sources and to deregulate the rules on oil imports to France.

Mr Madelin has already had heated discussions over electricity tariffs, especially for industrial users. Several large French industrial groups and heavy users of electricity have been pressing to have more competitive electricity supplies to help their international competitiveness.

Moreover, Mr Madelin says that the future of the French nuclear power programme must also be reviewed. "We cannot continue at the same rate of new nuclear power orders as before."

Although the Government's ambitious privatisation programme of 65 state-owned industrial and financial groups is being masterminded by Mr Balladur, Mr Madelin has been closely involved in the plans for the privatisation of large state industrial groups like CGE, Thomson, Pechiney, Rhône Poulenc, and Saint Gobain.

Mr Madelin is also planning a reform of his ministry to adapt it to a new open market and liberal world. Already he has announced important changes in the Government's approach to industrial grants and subsidies. The Government will be cutting the overall level of subsidies to industry next year by about 17 per cent to FFr 53.5bn. It will also cut by 10 per cent to FFr 25.4bn capital grants to state industries next year.

To compensate for the reduction in the level of subsidies, the Government is cutting about FFr 10bn in fiscal and financial charges to industry.

Apart from his commitment to liberal ideas and policies, Mr *Madelin also has major long-term political ambitions.* He is a leading member of the Republican Party and a close friend of Mr François Leotard, the party leader and the Minister of Culture and Communications.

With Mr Leotard, and Mr Gerard Longuet, the junior minister for post and telecommunications, Mr Madelin forms part of what has become popularly known as "la bande à Leo" ("Leo's gang") of young liberals on the French right.

But unlike Mr Leotard and most members of the Chirac Government, Mr Madelin is not a graduate of the exclusive École Nationale d'Administration, the school which has groomed most top civil servants and politicians in France. Mr Madelin, a barrister by training, is undaunted by the fact there are 17 Enarques or former ENA graduates in the present Government. He suggests, with a shy but cunning smile, that perhaps the all powerful days of the Enarques are waning.

Beecham names Textron executive as chairman

BY TONY JACKSON IN LONDON

BEECHAM, the British drugs and consumer foods group, has ended its long search for an executive chairman with the appointment of Mr Robert Bauman, vice-chairman of the US aerospace and financial group Textron, at an estimated salary of $1m a year.

Lord Keith, the outgoing chairman, has also made sweeping *changes in the board's structure to* reduce the power of the chairman and executive directors. Four non-executive directors have been appointed – Sir Robert Clark, chairman of the merchant bank Hill Samuel; Mr Andrew Buxton, vice-chairman of Barclays Bank; Mr James White, managing director of the Bunzl paper group, and Sir John Kingman, vice-chancellor of Bristol University.

No mention was made yesterday of Beecham's plans to sell its home improvement, wines and spirits and cosmetics businesses.

The hunt for a Beecham chairman began with the sacking of Sir Ronald Halstead last November, an event which sparked off a series of takeover rumours. Sir Ronald's place was temporarily assumed by Lord Keith, the non-executive vice-chairman.

Mr Bauman's salary will make him one of the highest-paid executives in Britain, though still lagging behind his fellow American Mr Richard Giordano, head of the BOC industrial gases group, who heads the list with a salary of £883,100.

Beecham's non-executive directors, who are being increased from two to six, will be formed into three committees designed to limit the power of the executive board.

● *An existing committee which* fixed the salaries of board members and senior executives will also have the sole responsibility for choosing successive non-executives – a task previously in the hands of the executive directors. It will also be this committee's duty to make recommendations to the board on the choice of a new chairman.

● A new audit committee will go through the accounts in detail with the auditors at least twice a year, before they go to the executive directors for approval.

● A new finance and general purposes committee will be involved in the detail of acquisitions, disposals and rights issues before they go for approval to the main board. Lord Keith said "we never again want to get our first sight of details of a major acquisition attached to the board papers."

Men and Matters, Page 14;
Beecham power shift, Page 15

BA challenges Sabena-BCal plan to share Atlanta flights

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

A FIERCE battle for the London-Atlanta air route is to likely erupt following a move by British Airways to have British Caledonian's licence on the route revoked.

This follows the announcement, last week by BCal, the independent UK airline, of a plan to fly between Brussels, Gatwick and Atlanta, *Georgia, in conjunction with Sabe*na, the Belgian national airline.

The BCal-Sabena plan is designed to reduce empty seats on the route and to save money. Both airlines would share the costs of the operation and divide any profits, using one Boeing 747 Jumbo jet instead of the present two DC-10 trijets on their separate Atlanta flights.

Sabena will provide the aircraft and flight deck crews, with both airlines providing cabin crews.

British Airways has asked the Civil Aviation Authority to revoke the BCal Gatwick-Atlanta licence. It argues that the route will no longer effectively be served by a UK carrier, and that the licence will be invalid. BA wants to take over the licence, valid from both Heathrow and Gatwick.

BCal responded yesterday by saying it would object to the BA bid. The scene is thus set for a major battle, with the UK Civil Aviation Authority as arbiter, in which the whole future of plans for joint air services could be thrashed out in public.

During the next 21 days, other airlines, organisations and individuals can file objections or representations, favouring one side or the other.

The CAA itself then has to hold a public hearing, at which the arguments are heard.

The CAA's decision is unlikely to close the issue, for the ruling is bound to be taken on appeal to the British Transport Secretary.

It could thus be several weeks, and perhaps two or three months, before the matter is settled. This means that the BCal/Sabena joint operation, set for October 5 is likely to be delayed.

BCal's view yesterday was that it saw no difference between its joint operation with Sabena on the North Atlantic and the joint flights that BA itself operated with Air New Zealand between the UK and that country, and regular Atlantic flights to Los Angeles.

BCal also pointed out that no-one had objected to other joint flights in Europe, such as its own operation in conjunction with Alitalia to Genoa.

"We will be objecting vigorously to the BA action," BCal said.

● Eastern Air Lines of the US is suspending its daily non-stop transatlantic operations between Miami and London from October 1 as a result of uneconomic fares and as part of an overall realignment of its route system.

Eastern said in Miami that the economics of the route deteriorated sharply when the UK's Virgin Atlantic became the fourth carrier on the route in April. The other airlines are British Airways and Pan American.

● People Express, the US low-fare airline, has withdrawn its plan to fly between Denver and Gatwick, announced a year ago. The airline said the economic viability of the plan depended upon traffic flows between Denver and other US cities by Frontier Airlines, then owned by People.

● Mr Gunter Eser, director-general of the International Air Transport Association, says that "traffic figures for the first half of 1986 confirm that the international airlines collectively will be lucky to break even this year."

US and Soviet Union revive summit plans

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE US and the Soviet Union are to go ahead with plans for another superpower summit in the hope that it can be held in the US later this year, the State Department said yesterday.

Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet counterpart, will meet in Washington on September 19 and 20 to discuss "what additional preparations may be needed" for a second meeting between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, the department said.

The formal announcement of the Shultz/Shevardnadze talks indicated that the summit plans were back on track after several months during which Moscow appeared to be dragging its feet. The foreign ministers' meeting was provisionally agreed during a visit to Washington last week by Mr Alexander Besmertnykh, the Soviet deputy Foreign Minister.

Mr Reagan's original hopes of holding the summit in Washington this summer were dashed after Moscow cancelled an earlier preparatory meeting between Mr Shultz and Mr Shevardnadze in protest at the US bombing of Libya.

Washington, however, has consistently maintained that Mr Gorbachev would in the end honour an agreement at his first meeting with Mr Reagan, in Geneva last November, *to hold two further summits.*

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	31	88	Dubrovnik	S	31	88	Malta	F	30	86	Rhodes	S	29	84
Algiers	F	32	90	Edinburgh	F	14	57	Manchester	F	18	61	Rio de J'o	S	33	90
Amsterdam	C	18	64	Faro	S	26	79	Manila	—	—	—	Rome	S	30	86
Athens	S	32	90	Florence	S	33	91	Melbourne	—	—	—	Salzburg	S	30	86
Bahrain	S	36	97	Frankfurt	C	29	84	Mexico City	S	24	75	San Francisco	C	22	72
Bangkok	S	33	91	Funchal	F	22	72	Miami	F	27	81	Seoul	F	26	79
Barcelona	S	27	81	Geneva	F	27	81	Milan	S	32	90	Singapore	C	31	88
Beirut	S	33	91	Gibraltar	S	27	81	Montreal	S	17	63	Stockholm	S	26	79
Belfast	F	15	59	Glasgow	C	14	57	Moscow	S	24	75	Strasbourg	[illegible]	24	75
Belgrade	S	32	90	Guernsey	C	15	59	Munich	S	30	86	Sydney	C	11	52
Berlin	S	32	90	Helsinki	S	24	75	Nairobi	F	24	75	Taipei	S	34	93
Biarritz	C	16	61	H Kong	S	32	90	Naples	S	33	91	Tangier	S	23	73
Bombay	—	—	—	Innsbruck	S	30	86	Nassau	C	32	89	Tel Aviv	S	31	88
Bordeaux	C	20	68	Inverness	C	13	55	New Delhi	C	28	82	Tenerife	—	—	—
Brussels	F	20	68	Islamabad	R	25	77	New York	C	30	86	Tokyo	R	29	88
Budapest	F	31	88	Istanbul	S	29	84	Nice	C	28	82	Toronto	S	15	59
B. Aires	C	11	51	Jakarta	C	30	86	Nicosia	S	38	100	Tunis	S	30	86
Cairo	S	35	95	Jersey	C	18	64	Oporto	S	19	66	Valencia	S	30	86
Cape Town	R	15	59	Jo'burg	S	18	64	Oslo	R	14	57	Venice	—	—	—
Caracas	R	27	81	Lima	C	18	64	Paris	C	21	70	Vienna	S	31	88
Casablanca	F	22	72	Lisbon	S	21	70	Peking	C	30	86	Warsaw	S	30	86
Chicago	S	26	79	London	C	17	63	Prague	S	32	90	Washington	S	23	73
Cologne	F	26	79	Los Angeles	Fg	17	63	Reykjavik	R	10	50	Zurich	S	26	78
Copenhagen	S	23	73	Luxembourg	C	21	70								
Corfu	S	33	91	Madrid	S	26	79								
Dallas	C	22	72	Majorca	S	29	84								
Dublin	C	14	57	Malaga	S	33	91								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Sharp rise forecast in N-power generation

BY MAX WILKINSON, RESOURCES EDITOR, IN LONDON

NUCLEAR power generation in the industrial world is likely to increase by about 85 per cent during the next 15 years, according to an authoritative survey by the Paris-based Nuclear Energy Agency.

The agency suggests that, by the end of the century, more than a quarter of electricity produced by the 24 member countries of the Organisation for Economic Co-operation and Development (OECD) will come from nuclear reactors compared with about a fifth last year.

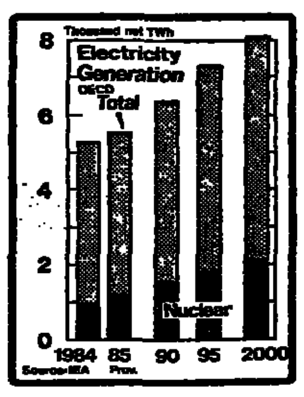
The survey, published at the weekend, was based on questionnaires sent out before the explosion at the Chernobyl reactor in the Soviet Union in April.

However, the agency's report points out that much of the expected increase in nuclear capacity represents plants which are now under construction or on order.

Even if no additional plants were ordered between now and the end *of the century, total nuclear power* station capacity in the OECD countries would rise from an estimated 207 GW (*gigawatts*) to more than 300 GW (or 300,000 MW).

Once built, nuclear stations are run flat-out for most of their lives, relegating the less-efficient coal-*fired and oil-fired stations to cope* with intermittent demand at peak periods. For that reason the power produced from nuclear energy is expected to increase proportionately faster than the installed capacity.

Total nuclear generation in the OECD countries as a whole – 962.5 *net TWh (terawatt-hours) in 1984 or* 17.9 per cent of overall electricity generation – is forecast to reach



2,124.9 TWh, or 26.2 per cent, in the year 2000.

France is expected to maintain a decisive lead up to the end of the century when it is forecast to produce 78 per cent of its electricity from nuclear power, compared with about 65 per cent last year. Although the US is expected to have *50 per cent more nuclear power* plant than France by the end of the century, it will only be generating 18 per cent of its electricity from the atom.

The report suggests that the UK could be generating 36 per cent of its electricity from nuclear energy by the year 2000 compared with an estimated 19.5 per cent in 1985. However, the UK provided a wide range of figures suggesting the proportion could be between 27 per cent and 64 per cent, including imports from France and pumped-storage systems.

Nuclear Power and Fuel Cycle Data in OECD member countries, 1986, Nuclear Energy Agency, 2, Rue Andre Pascal, 75775, Paris Cedex 16 France.

Thatcher shift fails to satisfy partners

Continued from Page 1

implementation of "voluntary" measures such as the banning of new investment and tourism promotion. They pointed out there was no power to enforce such measures but suggested that the UK Government could officially discourage them, as it had sporting contacts with South Africa under the 1977 Gleneagles Agreement.

The British concessions, while welcomed by the other leaders, did not meet their call for endorsement of the list of measures drawn up at Nassau for consideration at the present meeting. These include a ban on air links with South Africa, a ban on the import of agricultural products and the end of double taxation agreements with Pretoria.

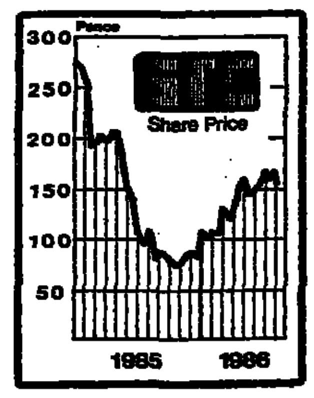
The view of the six leaders pressing wider measures was summed up by Mr Bob Hawke, the Australian prime minister, at a press conference early yesterday. Although recognising the "constraints" on Mrs Thatcher, Mr Hawke *said:* "We would prefer an outcome which can be unanimous. But 'I don't think that the six are going to accept the lowest common denominator position, which is not consistent with a position of integrity."

Mr Hawke said he did not think the other Commonwealth countries could wait until September when Sir Geoffrey's EEC mandate for promoting a political dialogue in South Africa formally runs out. "I think decisions have to be taken here," he said, though the other Commonwealth participants would be able to understand Mrs Thatcher's desire to wait for implementation until she had consulted her EEC partners.

THE LEX COLUMN

Leaning on the mainframe

It evidently does not take much to turn a market if it is sufficiently oversold. If the dollar can bounce on the flimsy trampoline provided by a chart support level at the fourth place of decimals – DM 2.0720 in fact – the bears must indeed be overextended. For the day's other great swing, in crude oil prices, does nothing to relieve US deflationary fears. And any revival in sterling that is based on hopes of an Opec agreement to restrict output must be treated with caution.



STC

To talk of turning round STC seems a misleading way to describe what has been going on since last year's dramatic change of management. For one thing, that would exaggerate the coherence of STC's business mix. More concretely, it would be missing the fact that STC's £25.8m pre-tax improvement to £49.2m at the half year owes most of this – £16.9m, actually – to a better performance from ICL. And that exposes the dispiriting truth that the operating results from the rest of STC were the best part of £10m below last year's level.

The market reaction, trimming the share price by 5 or 6 per cent to 156p, was probably less a matter of disappointment with the figures than of a realisation that the limits of recovery may be quite close at hand. Before the announcement, after all, STC's shares were valued on a basis that assumed the best possible performance right across the group, given the obvious difficult conditions that ICL is wrestling with in the computer market. The reality, that ICL has done well in the circumstances while the rest remains patchy, is a less attractive prospect.

STC's success over the past year has indeed been the largely negative one of squeezing cash out of working capital, eliminating costly and counter-productive forms of central management, and selling off the most obviously irrelevant of its many outlying businesses. It still faces the worrying question, more challenging than that of cost-cutting, of how to increase the revenue from continuing operations. Some, such as main exchange work for BT, are known to have no growth prospects at all; others, such as component distribution may have good cash flow, but are constrained to grow on competitive margins at roughly the same rate as output. Restoration of the dividend may be in train, but to discount dividend growth for the long term seems optimistic indeed.

BICC/Haden

It is not every UK company that would dispose of two-thirds of its turnover to pay back some preference capital, but then Haden is no ordinary UK company. As a quoted company, Haden might never have succeeded in persuading shareholders that it should dispose of its core building services division to BICC and depend for all but an insignificant fraction of its earnings on the US. For the management proprietors who bought out the company last summer, the opportunity to try and redeem the prefs held by their institutional supporters and steam towards a Wall Street listing is altogether too enticing: last year's £150,000 investment would magnify tenfold at flotation.

The management consortium succeeded in trumping the bid from Trafalgar House because it knew better than anyone else the cash potential of its US paintshops and handling businesses to pay down the acquisition debt. With a year's turnover in hand and perhaps £9m in pre-tax profit in store for this year, the potential is not exhausted. BICC may have stayed out of last year's auction, but it signalled its interest in the building services operation even then and it is hard to see why yesterday's £44m placing to buy the thing went so badly, unless it was the £20m in extra capital raised: BICC's share prices lost 13p, closing at 265p. There is a lot to be said for adding plumbing and heating to Balfour Beatty's electrical engineering business and, because of BICC's chronic need for UK profits to offset its ACT liability, the Haden earnings are more or less tax-free. Ironically, the spectre of unrelieved ACT may now preclude a London listing for Haden.

TSB

Who would have thought that this, of all British Governments, would overlook an easy way of realising the best part of £1bn from the sale of a state-owned asset? But that is what appears to have happened according to the highest court in the land. The Law Lords state quite clearly that the assets of the TSB are not the Government's. The Treasury's claim that the verdict actually means something else is bizarre, but politically easier than to argue that courts should be ignored. In any case, had the Government tried to argue at the outset that it owned the TSB, that would have been even more controversial.

It may now seem obvious that the Government should have waited for the full judgment before vesting the TSB. But the rush to sell the shares in September was, on the Government's side, designed to offer up a small shareholder bonanza as a sweetener in front of the much more important British Gas flotation in November. If the policy succeeds, the Government may get a gas bonus to outweigh an extraordinary loss on its (inadvertently acquired) banking operations. This will still seem a much more attractive course than to take Lord Templeman at his word, cancel the flotation, and then renationalise and sell off the TSB during the next session of Parliament.

The Treasury insists, notwithstanding the Lords' lengthy exegesis on the import of the 1817 Savings Bank Act, that the 1976 Act clearly states that the assets of the TSB do not belong to the Crown. On this argument, it appears that the last Labour Government may unwittingly have privatised the trustee savings bank nationalised by the Earl of Liverpool's Tory Government. But the current Labour Party could still be tempted to break with its recent pledge not to take back the TSB shares, if it wanted to add to the Government's embarrassment.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday August 5 1986

Grumman profits tumble

BY TERRY BYLAND IN NEW YORK

GRUMMAN, the New York-based defence and civilian vehicle group, yesterday reported a sharp drop in second-quarter earnings and disclosed technical problems on its programmes to develop the F-14D and A-6F aircraft for the US Navy which could have a "significant impact" on costs and schedules.

Earnings tumbled from $22.8m or 75 cents a share to $17.6m or 50 cents in the second quarter, and this year's figure includes a taxed gain of $3.4m or 11 cents from the sale of ISI systems. Sales increased from $732.5m to $869.4m.

For the first half, net profits were $38m or $1.14 a share, against $50.1m or $1.65, while sales rose from $1.49bn to $1.7bn. Sales for the latest first half were boosted by a $155.4m increase in the F-14D and A-6F contracts, which are being carried out on a non profit-making basis.

The company is in disagreement with the navy over responsibilities for the technical problems on the F-14D and A-6F programmes and cannot at present determine "if, or to what extent," there will be any loss.

Grumman agreed to a no-profit contract to update the two naval aircraft, which have been in service for two decades. The upgraded aircraft are expected to remain in production until the end of the 1980s.

However, Mr John Bierwirth, chairman, is optimistic that the company and the navy will be able to "work through" the problems on the two contracts.

Grumman, the largest domestic producer of navy carrier-based aircraft, makes 86 per cent of its sales to the US Government. Its latest success has been the winning of a huge contract to develop the joint Stars radar programme for the US forces.

American Can to sell HQ for $170m

By Our Financial Staff

AMERICAN CAN, the diversified US group which last month agreed to sell its packaging interests for $570m, has now signed a contract to sell its corporate headquarters in Greenwich, Connecticut, for $155m in cash and $15m in notes.

The buyer is a partnership between Mr Paul Liles and Mr Jeffrey Lewis, two US property developers and consultants, and the deal involves a 525,000 sq ft (58,000 sq m) office complex and 155 surrounding acres.

The partnership will also receive an option to buy about 27 continuous acres of property in New York State for about $2m. American Can will lease about half the office space for a 10-year period, with an option to renew.

American Can had previously announced its intention to sell the headquarters following a big restructuring.

Under Mr Gerald Tsai, vice-chairman and chief executive, the company has been moving more heavily into financial services.

American Can said yesterday that, assuming the sale is completed, it would realise an unusual after-tax gain of 40 cents per share and an after-tax deferred gain of $2.20 per share over the next 10 years.

Safeway supporters to earn $150m

THE $4.2bn takeover of Safeway Stores will bring $150m to the concerns that helped put the transaction together and others involved, according to documents filed with the Securities and Exchange Commission (Sec), AP-DJ reports from Washington.

The biggest winner is the New York investment concern of Kohlberg Kravis Roberts & Co, which will get $60m in fees for rescuing the Oakland, California-based supermarket chain from hostile suitor Dart Group, a Landover, Maryland-based discount retailer.

That compares with the $45m fee Kohlberg Kravis earned for the $6.2bn takeover of Beatrice earlier this year.

As previously reported, Kohlberg Kravis agreed to take Safeway private for $69 a share in cash and securities.

A banking group led by Bankers Trust of New York, will get $48m in fees for arranging $3.3bn in bank credit for the takeover.

Morgan Stanley, financial adviser to Kohlberg Kravis and dealer manager for the tender offer for Safeway, will get $10m.

Hammermill rejects $52 a share offer

HAMMERMILL Paper will "develop alternative courses of action," following the board's rejection of the $52 a share tender offer from an investment group led by Mr Paul Bilzerian, a Californian investor, writes Our New York Staff.

While directors of the New York state manufacturer of fine and printing papers declined to elaborate on their plans, Wall Street analysts looked for a leveraged buyout from inside the management, or a white knight rescue bid from a rival paper manufacturer.

Hammermill, describing the offer from an affiliate of Bilzerian Mack Associated as "inadequate", urged stockholders not to tender their shares as it "determined to explore and investigate a variety" of alternatives. It seeks court action to stop Bilzerian's attempt to thwart its own anti-takeover moves.

Mr Bilzerian, whose group holds 20 per cent of the Hammermill equity and claims financing commitments behind its $900m bid offer, described Hammermill's action as disappointing.

Hammermill, the largest producer of fine writing papers in the US, earned $37.9m last year on sales of $1.5bn. A significant increase in profit is expected this year.

Impala Pacific to boost KDI stake

BY OUR FINANCIAL STAFF

IMPALA PACIFIC, an Australian-controlled investment company based in Hong Kong, has given notice that it intends to wage a proxy battle to secure board dominance at KDI Corporation, the Cincinnati maker of electronics and defence-related components.

Impala, a subsidiary of Mr Bruce Judge's Ariadne Australia, said in a Securities and Exchange Commission filing in Washington that it intended this Thursday to exercise an option to acquire 19.3 per cent of KDI for US$45m. This would boost its total holding to some 31.2 per cent.

Armchase Holdings has agreed to sell the stake to Impala at $14.67 per share. On the New York Stock Exchange yesterday, KDI shares were trading at $15⅞, up by $⅛ in early dealings.

Impala told the SEC it would seek to replace the KDI board with nominees of its own. Whether it succeeds, it would, continue buying KDI shares.

Impala said that it was in talks with the US Defence Department aimed at agreeing an arrangement which would permit KDI's defence subsidiaries to keep government contracts. These would normally be lost if control passed into foreign hands, but the establishment of a voting trust has been indicated as one solution.

KDI has other diverse interests including swimming pools and broadcasting. Net earnings for 1985 were $9.6m on sales of $258.8m.

FRENCH CAR GROUP FOCUSES PROFITS DRIVE ON NEW LAUNCH

Citroën puts faith in compact car

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

CITROËN'S drive to return to profitability has a key element – a new small car, called the AX, which the Peugeot group subsidiary will launch at the Paris Motor Show in October.

The project has cost the French group about FFr 5.5bn ($811m) but for the money it has produced not just a new body design but also new engines and transmissions which can be used in other Peugeot and Citroën cars.

The AX, a compact, three-door, front-wheel-drive saloon, will be an addition to the Citroën range, fitting between the ancient 2CV and the Visa.

It will compete in a large and rapidly-expanding sector of the West European car market which currently accounts for about 1.9m registrations annually and takes in successful models such as the Renault 5, Ford Fiesta, Fiat Uno, General Motors' Corsa/Nova, Austin Metro and the group's own Peugeot 205.

It has been axiomatic in the motor industry in the past that "small cars produce small profits," but Mr Jacques Calvet, chairman of the Peugeot-Citroën-Talbot combine says: "Given our present financial situation, we would not launch a car unless we were pretty certain we could earn money with it."

Citroën claims that a combination of new working methods with modern manufacturing techniques will enable it to produce the AX profitably "yet offer the customer new levels of small-car quality of a highly competitive price."

Citroën expects the AX to take 6 per cent of total French new car sales in 1987-88 – which the company has set as its main priority – and by the end of next year to have captured 2 per cent of total West European registrations (including France).

By next March AX production should have reached 1,000 a day on two shifts at Citroën's revamped factory at Aulnay, between Paris and the Charles De Gaulle airport, with a further 500 a day coming from the company's Spanish plant at Vigo.

As the productivity increases that Citroën has in train throughout its production operations continue to bite, AX output should rise to 1,100 at Aulnay and 600 at Vigo 18 months later.

Peugeot-Citroën spent about FFr 1bn to develop the AX and a further FFr 1bn at Aulnay where a fully automated body assembly facility has been installed and where most of final assembly is also completed by robots.

Another FFr 1bn went to produce a new range of engines from 954 cc (45 brake horse power) and 1,124cc (55 bhp) to 1,360 cc (65 bhp). Codenamed TU, the four-cylinder, in-line, all-alloy engines were derived from the power units produced at Douvrin by the Peugeot-Renault joint venture company, Société Française de Mecanique.

The Peugeot group decided to develop the UT units instead of using 750 cc, two-cylinder engines from its joint venture with Fiat of Italy (from which Fiat's "Fire" engine resulted) mainly because it felt drivers – even in small cars – would want more power than the Franco-Italian joint-venture units could deliver.

However, Peugeot also admits it would have cost FFr 2bn to put the joint-venture engine into production compared with the FFr 1bn to convert the Douvrin engine, using some of the existing machinery and tooling.

Technology from the Fiat joint-venture, to which Peugeot contributed a modest FFr 50m, was used when developing the TU engines. The TU units eventually will be used in other Peugeot group cars.

Peugeot-Citroën also spent about FFr 1bn on new four and five-speed transmissions, called the MA range, to be used in the AX and which will be produced in the recently automated factory at Metz in eastern France.

Once again the transmissions are available for other Peugeot-Citroën cars and there is already an outside customer. Austin Rover, the volume car subsidiary of Britain's state-owned Rover Group, is to build the transmission under licence in the UK and will link it with the K-series engines currently under development for the cars to replace the Metro and Maestro models.

The remaining FFr 1.5bn of the budget has been spent at other Peugeot-Citroën plants including those at Reims, Caen, and Rennes.

Aulnay, the main production centre for the AX, was plagued by industrial unrest in 1982 and 1983 but Citroën has pushed through a redundancy programme which has reduced the workforce from 6,910 at the beginning of 1984 to 5,423 today.

The company has introduced its so-called Mercury Plan at the plant. This aims to cut costs and improve labour relations.

Lines of communication have been reduced, from five to three levels, and new self-inspection quality control systems have been introduced.

To prepare the line workers for this devolution of responsibility, Citroën arranged a huge training programme – 5.5 per cent of the wages bill at Aulnay this year will have been taken up by training. About 500 people went through 196,000 man hours of training.

Stock levels at Aulnay have been drastically reduced by "just in time" components delivery.

Ease of production was a key design priority for the AX and 157 robots and 144 programmable automatic units at Aulnay perform every one of the 1,869 spot weld operations and intermediate handling needed to build the body.

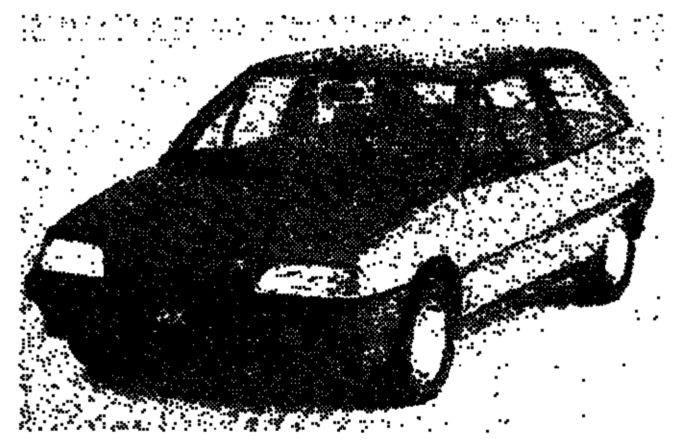
Citroën says this cuts the time needed for welding the body to one third of that by previous methods: to 98 minutes instead of 278.

Only 192 people are needed to run the entire body assembly shop but 108 are professional workers and technicians and 84 are operators. In the old-style body shop, the mix is reversed, with only 15 per cent of the workers being professionals or technicians.

The final assembly area is also automated so that delicate jobs such as the installation of the fascia, front screen and tailgate are being done by robots.

For a Citroën car, the AX is fairly conventional, with nothing unusual about the steering, brakes or suspension even though a new suspension system has been developed for it.

Mr Xavier Karcher, director general of Automobiles Citroën, says, with the help of the first 20,000 AX models, Citroën will sell 40,000 to 50,000 more cars this year than the 600,000 in 1985.



Citroën AX compact

Rover to privatise information unit

BY LISA WOOD IN LONDON

ISTEL, the information systems subsidiary of the Rover group with an annual turnover of about £50m ($74m) is to be privatised, the company told its workforce yesterday.

Mr John Leighfield, managing director of Istel, which is based in the English Midlands, told the 1,200-strong workforce that Ernst & Whinney, the independent chartered accountants, is to compile a factual report on the business. "This report will be required for the privatisation of Istel."

Last month the Rover Group, formerly BL, said that it planned to raise at least £41.7m with the sale of Leyland Bus and shareholdings in the groups two spare parts divisions to consortiums of management and investment institutions. Shareholdings in the group's two spare parts divisions to consortia of management and investment institutions.

The Rover group said yesterday: "The statement of intention to privatise Istel is the last of what could be called a first phase of sales. When and if Istel is sold there will remain three core businesses for which there are no immediate plans for privatisation. These are Austin Rover, Leyland Trucks and Land Rover."

No details have been given for the timetable of Istel's proposed sale. Rover said: "The report by Ernst & Whinney is a very preliminary step and the method and timing of privatisation have not yet been finally determined. However, it is the Rover group board's intention to come to a conclusion as quickly as it is practicable."

Istel was formed in 1979 and used to be called BL Systems, bringing together all the computer based and data processing activities of the then BL.

Since then it has developed other clients, including General Motors, Ford and ICI, with external business accounting for 30 per cent of its turnover.

In 1984 the company's turnover was £37m with profits of £1.2m. Turnover currently is around £50m with the division continuing to trade profitably.

The company changed its name in 1984 to help generate a new market identity away from the shadow of its parent and in preparation for privatisation.

Since then however, there have been worries in Istel that it could simply be absorbed back into the Austin Rover car manufacturing group.

INTERNATIONAL COMPANIES and FINANCE

New Zealand issues $500m bond

BY CLARE PEARSON

A $500m short-dated deal was launched by Credit Suisse First Boston yesterday for New Zealand as the Eurobond market focussed its attention on today's auction of three-year US Treasury bonds in New York.

Like last week's $500m three-year offering for Denmark, New Zealand's terms anticipated a favourable response to the new US Treasury bonds. The deal was structured in two tranches: a $300m 7¼ per cent three-year bond priced at 100⅛; and a $200m 7⅛ per cent five-year bond priced at par. At issue, these terms gave yield spreads of 68 and 79 basis points respectively over comparable US Treasury bonds.

Dealers thought CSFB's pricing tight, although more realistic than the terms on which Denmark's issue was launched. Nevertheless, prices at discounts outside the level of the total fees were quoted on both tranches, with the five-year offering bid at about 97⅞ and the three-year issue at about 99.

Investors' appetite for sovereign paper seems reasonably strong at the moment, although New Zealand is rated only AA-plus by Standard & Poor's. However, the market viewed the Budget measures unveiled last week by Mr Robert Douglas, the Finance Minister, favourably.

New Zealand has announced that it intends to refinance some NZ$7.2bn of debt this fiscal year, and yesterday's issue formed part of this plan.

Elsewhere the Eurobond market traded quietly, and followed a slight downturn in New York in the course of the afternoon. Although no new deals were launched, Société Générale demonstrated there is still strong demand for good floating rate paper for bank issuers by increasing its deal for itself, launched on Friday.

The 10-year par-priced bond was increased from $200m to $300m. The issue pays interest at London interbank bid rate flat, and traded yesterday at 100.05 on the bid side.

The market for equity warrants bond is not looking as healthy as the floating rate note market, and a recent deal for Daihatsu Motor, priced yesterday, was quoted at 94½ bid, as against a par issue price.

Nikko, the lead-manager, said that investors were becoming disillusioned with the weight of new equity warrants paper for lesser-known Japanese names that has been hitting the market lately. Also, Daihatsu derives 20 per cent of its sales income from exports, and so is likely to suffer from the strength of the yen.

Daihatsu's coupon was set at 2⅝ per cent, as had been indicated.

The D-Mark market saw prices rise by ¼ point as foreign interest, fuelled by the strength of the D-Mark, grew. Union Bank of Switzerland's German subsidiary launched a DM 150m issue for Fluor, the US construction company. The 10-year 6⅜ per cent bond, which is linked to a swap into dollars, was priced at 99⅞.

As Flour is rated only triple-B by Standard and Poor's, these terms looked a bit aggressive, dealers said. The bond was quoted within total fees, however, at 97⅞ on the bid side.

In the Swiss franc market prices were basically unchanged in low volume.

BNL acquires bank based in Sao Paulo

By Our Rome Correspondent

ITALY'S largest bank, Banca Nazionale del Lavoro (BNL), has acquired Banco Denasa de Investimento, a Brazilian bank with headquarters in Sao Paulo and branches in five other cities, from First National Bank of Chicago.

BNL is financing the purchase by using credit which it is owed by the Brazilian authorities.

Banco Denasa operates both as a retail bank and also manages investment funds. It has lost money in recent years and will be recapitalised with an injection of $10m of fresh funds.

The purchase represents a significant expansion for BNL in Brazil where up to now it has had only a representative office. BNL will be looking at ways of expanding Banco Denasa's involvement in Brazil's agricultural sector.

BNL also reported its 1986 half-year results yesterday. The interest margin showed an increase of 30 per cent compared to the first six-months of last year.

Gross profits for the six months were significantly higher. The bank said that if this marked improvement continues during the current half year BNL should be in a position to distribute profits to holders of savings shares which are above the level laid down in the bank's statute.

Pharmacia buys US lens maker

BY SARA WEBB IN STOCKHOLM

PHARMACIA, THE Swedish pharmaceuticals and biotechnology company, yesterday acquired Intermedics Intraocular, a Californian optical lens company, for SKr 500m ($71.9m) as part of its strategy to become a leading optical company and compete in the US and Japanese markets.

Pharmacia's best-selling product is Healon, a thick gel which is used in cataract surgery to maintain the eye pressure while inserting artificial lenses. However, the company has been scouring the US market for over a year now in the search for a suitable lens-manufacturer to complement Healon.

Intermedics Intraocular has 9 per cent of the US optical lens market, as well as a marketing network in Japan. The company's sales are worth some SKr 250m and it employs about 300 staff. The company has just been given approval by the food and drug administration (FDA) to make ultra violet lenses.

Mr Erik Danielsson, Pharmacia group chief executive, said yesterday: "The acquisition of one of the leading lens companies in the US has been our highest priority. This is of decisive importance if we are to establish ourselves as one of the world's leading optical lens companies."

Pharmacia is now the world's third largest manufacturer of intraocular lenses, after Intra Ocular Labs and Coopervision.

The company plans to concentrate on four areas—opthalmology, pharmaceuticals, diagnostics, and biotechnology. The acquisition of Leo four weeks ago was an important step in the pharmaceuticals field, and Pharmcia is currently planning to buy a share in Electro-Nucleonics.

New Zealand move by ANZ

BY OUR SYDNEY CORRESPONDENT

ANZ Banking group, the Melbourne-based bank which owns Grindlays of the UK, has bid A$175m (US$106m) for the outstanding 25.8 per cent of ANZ (New Zealand) as part of its strategy to establish an international banking operation.

ANZ has offered the shareholders of its New Zealand offshoot 11 times their 1984-85 earnings, about 2.8 times asset backing and a 25 per cent premium on the ruling share market price by offering NZ$3.75 a share.

However, ANZ (New Zealand) would prefer it if the minority holders accept its scrip alternative. ANZ is offering seven shares for every 10 ANZ (New Zealand) units which values the target at NZ$3.70 per share.

The directors of ANZ (New Zealand) urged shareholders not to sell their stock pending an independent valuation of the offer.

Mr Don Mercer, ANZ group executive for strategic planning, said yesterday that if all the outstanding shareholders in the New Zealand group accepted the scrip offer, the New Zealand ownership of the parent bank would increase from about 2 per cent to some 10 per cent.

"It would accentuate that the organisation is an Australian and New Zealand bank. We have a loyal New Zealand shareholding which follows the company with some interest and, as the parent is listed there, we hope this would continue."

ANZ was committed to international banking and felt the acquisition of the rest of ANZ (New Zealand) was in line with its plans, Mr Mercer said.

While the other Australian banks chose to grow from within by finding local merger partners, ANZ started its growth phase by purchasing Grindlays.

National Mutual Life bids for Vamgas

By Robert Kennedy in Sydney

NATIONAL MUTUAL Life, Australia's second biggest insurance office, yesterday announced a surprise A$151m (US$9.15m) bid for Vamgas, an oil and gas producer and explorer.

The A$2.25-a-share offer compares with Vamgas' earlier closing market price of A$1.95. The bid was regarded as the investment community's biggest vote of confidence in Australia's gas and oil sector so far this year.

Mr Ian Ferres, NML general manager, revealed last night that his group already had an 11.3 per cent stake in Vamgas, clearing up the mystery of who the big buyer of Vamgas was in the market late last week.

The bid is conditional on a 90 per cent acceptance rate but specifically hangs on whether Woodside Petroleum will sell its 50.6 per cent share. Woodside last year *became 80 per cent owned by* Broken Hill Proprietary and Shell, its North West Shelf project partners.

Mr Charles Allan, Woodside managing director, who also sits on the Vamgas board, *declined to comment* on whether NML had approached him about selling the Vamgas holding.

In past years Vamgas' regular profits from its onshore oil and gas activities have been useful to the cash-starved Woodside.

Vamgas directors expressed surprise about the offer and the identity of its suitor and are expected to reject the approach.

The bid represents an about-face by NML, which had been cutting its oil investments even before the collapse in the oil price. It sold a 15 per cent interest in Santos late last year.

NML's remaining big oil and gas investment is in the Cooper Basin, where it and BP Australia share a 12.5 per cent interest in the Patchawarra central block.

Vamgas has also been mentioned as a possible target for the Elders IXL-controlled Elders Resources. A month ago Elders Resources sold its 15 per cent stake in Kidston Gold Mines for A$112m and has earmarked these funds for resources investment.

Solid gains by Linde at halfway stage

By David Brown in Frankfurt

LINDE, THE West German engineering and industrial gas group, reports substantially *increased first-half* sales and earnings, but the pace of growth may slow somewhat later this year.

Group turnover jumped by 14.2 per cent to DM 1.35bn ($649m). Order intake *climbed at a slower rate of* 11.7 per cent against the previous year to reach DM 1.56bn.

Overall, the management expects 1986 sales to rise by about 10 per cent from the *DM 3.6bn achieved last year*, and "satisfactory" profits.

Parent company net profit rose 31 per cent in 1985 to DM 74.9m.

The highest growth rates were noted in hydraulics and *fork-lift* trucks — which account for about 40 per cent of total sales—and in the process plant division—which accounts for about 20 per cent.

Air Liquide sets up US holding company

By Our Financial Staff

AIR LIQUIDE, the French industrial gases group, has set up a US holding company, Air Liquide International Corp, to provide easier access to financing on international capital markets.

The new company will merge some of the European and Australian subsidiaries of the group and part of Air Liquide's Japanese unit, Teisan KK.

Air Liquide posted 1985 consolidated net profits of FFr 1.13bn ($166.6m) and has forecast increased 1986 profits. It intends to spend at least FFr 4.5bn on worldwide projects over the next two years.

UIC doubles first-half profit

UNITED Industrial Corporation, the Singapore detergent and property group, more than doubled net profits during the first six months of 1986, to S$12.7m (US$5.84m) from S$4.5m, AP-DJ reports from Singapore.

Turnover was S$113m against S$50.9m. Operating earnigs climbed 185.1 per cent to S$20.3m from S$7.1m.

Associates made S$4.7m in losses, however, against profits of S$151,000.

UIC predicted that it would maintain the current level of profitability during the second half of 1986.

Consultants appointed to protect Columbia Trust depositors

BY ROBERT GIBBENS IN MONTREAL

BRITISH Columbia's Government has appointed consultants Clarkson Gordon receiver-manager to interests of depositors with Columbia Trust, a provincially incorporated institution which has been hit by property investment problems.

The Government said all depositors would be covered up to $60,000 each by Canada Deposit Insurance Corporation. Clarkson's task will be "to strengthen the trust company's operations as an existing entity or through sale to new owners."

● CIL, the Canadian arm of Britain's ICI, has sold its Jarvis Clark mining equipment subsidiary to a wholly owned Canadian subsidiary of Baker International, the California-based energy services group. The price was not disclosed.

Jarvis Clark has a 50 per cent interest in Jarvis Clark Pty, based in Johannesburg, and also a subsidiary in Mexico and sales offices in Peru, the US and Ireland.

CIL had said it wanted to sell Jarvis Clark because it no longer fitted its long-term strategy.

● POWER Corporation of Canada, a major holding company controlled by Montreal financier Mr Paul Desmarais, is paying a total of almost C$36m (US$26m) in new subordinate voting shares for two broadcasting groups, one in Eastern Ontario and the other in Southern Quebec, subject to federal approvals. Mr Desmarais is a major shareholder of both groups.

Earlier this year, Power Corporation failed to get approval for a C$100m bid for Tele-metropole, a Montreal TV and radio broadcaster, but Mr Desmarais remains committed to expanding his broadcast interests.

Through a subsidiary, Power Corporation owns Montreal's second largest French-language daily newspaper and a string of smaller papers and broadcasting interests outside Montreal.

● DOFASCO, Canada's second largest steelmaker, reported lower first-half profits, reflecting higher steelmaking costs and lower contributions from some subsidiaries. Net profit was C$54.5m or C$1 a share against C$82.5m or C$1.60.

● DMR Associates, Canada's leading computer consulting group, is going public with a C$20m stock issue. About $8m of the proceeds will be used for acquisitions in the office automation field.

Promet loss increased after accounts revision

BY WONG SULONG IN KUALA LUMPUR

PROMET, the financially troubled Malaysian / Singapore oil rig and construction group, has amended its 1985 accounts which now show a loss, after tax and extraordinary items, of *113.5m ringgit (US$43.5m)* instead of 79.3m ringgit as stated earlier.

When its 1985 results were first announced in April the group said it was in discussions with bankers on how to restructure *loans totalling 320m* ringgit.

"These discussions which are continuing have led to a board decision to withdraw from certain activities and dispose of certain fixed assets and investments."

The revised 1985 accounts include an extraordinary write-down of 25.6m ringgit in relation to unrealised losses and 2.7m ringgit in relation to realised losses. As a result, losses per share before extraordinary items have risen from 23.6 cents to 26.2 cents.

Promet is to withdraw from *its investment in oil exploration* in China, East Malaysia and Indonesia, except for its interest in Weizhou in the Gulf of Beibu.

Assets for sale include a 50 per cent stake in Baker's Port, a marine fabrication centre in *the US, land in Johore state* currently used for oil rig and marine engineering works.

At the same time the group is concentrating on construction work. Recently it entered into a joint venture with Malaysia *Mining Corporation and Pernas* Construction, two major Malaysian government-controlled companies, to bid for big Malaysian government contracts.

Stalemate in Voest-Alpine unit sale talks

By Our Financial Staff

TALKS BETWEEN Voest-Alpine of Austria and RSR Corporation of the US aimed at completing the sale of the former's American steel subsidiary to RSR have reached a stalemate, Voest said yesterday.

Last month Mr Herbert Lewinsky, chairman of the state-owned Voest steel and engineering group, said terms *for the sale of Bayou Steel,* Voest's Louisiana-based unit, had been agreed.

Voest said that a few days before the deal was due to be closed, RSR had said it wanted to pay less than the price originally agreed because of the financial difficulties of LTV Corporation, a Bayou customer, which filed for bankruptcy protection on July 17.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on August 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC Amro Bank; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Co. (Europe); Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

INTERNATIONAL COMPANIES and FINANCE

Mafatlal Fine lifts profits on cotton crop

BY R. C. MURTHY IN BOMBAY

MAFATLAL FINE *Spinning and* Manufacturing Company, a cotton textile unit of India's large Mafatlal group, boosted its profits following a bumper cotton crop last year, and was also aided by the Government's new textile policy which allows the import of many items of textile machinery.

Pre-tax profits nearly trebled to Rs 22.55m ($1.8m) from Rs 8.4m on a 13 per cent increase in sales to Rs 1.6bn in the year to March. The company paid only Rs 1.5m in taxes, leaving a net profit of Rs 21.05m. The dividend was raised to 17 per cent from 1 per cent, restoring *a four-year-old cut in payout.*

Mafatlal Fine had passed through a difficult phase in the previous four years, when profits plunged and the dividend was pruned.

Mr Arvind Mafatlal, the chairman, said that by judicious planning and improvement in product mix and quality, as well as cost reductions, the company was able to improve its performance last year.

To improve long-term prospects, the company is modernising its plant, taking advantage of cheap loans given to the textile industry by government-owned financial institutions.

Dubai bank to buy back stake

NATIONAL BANK of Dubai shareholders have approved plans to buy back 12 per cent of the bank's shares held by National Bank of Kuwait, Reuter reports from Dubai.

National Bank of Kuwait agreed to sell its more than 1.01m shares, which have a face value of DH 100 each, at a DH 250 premium, making the total deal worth DH 354.4m ($96.49m).

The official stock market in the United Arab Emirates was yesterday quoting National Bank of Dubai's shares at about DH 430.

Bankers said the sale left only 2 per cent of the bank's shares in the hands of private foreign investors. The Government of Dubai is the main shareholder, but the size of its holding has not been revealed.

Selangor earnings drop by 64%

SELANGOR PROPERTIES said its net group profit slumped by 64 per cent to 6.1m ringgit in the six months to April, AP-DJ reports from Kuala Lumpur.

Consolidated pre-tax profit was down only 1.7 per cent to 27.3m ringgit ($10.2m). But two associated companies, which are involved in property investment and development, contributed pre-tax losses of 7.2m ringgit to group results, compared with 3.3m ringgit in profit a year earlier.

The company said that its Damansara town centre venture was chiefly responsible for its poor first-half performance. Because the nine office blocks in the development were virtually all completed, expenses could no longer be capitalised and the time gap between completion and the taking up of tenancy of the buildings resulted in insufficient income to cover these expenses.

The company said Damansara would not contribute to profitability during the remainder of its fiscal year, but Selangor Properties predicted that significant contribution would come from the Damansara project when the property market picked up from current low levels.

FT COMMERCIAL LAW REPORTS

Litigants can seek evidence through US court

SOUTH CAROLINA INSURANCE CO v ASSURANTIE MAATSCHAPPIJ "DE ZEVEN PROVINCIEN" NV; SOUTH CAROLINA INSURANCE CO v AL AHLIA INSURANCE CO AND ANOTHER

House of Lords (Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Brightman, Lord Mackay of Clashfern and Lord Goff of Chievely): July 29 1986

A LITIGANT is entitled to try, by lawful means, to obtain the evidence needed for his case; and accordingly, though the English court will order discovery of documents as against parties only, it has no power to restrain a party from applying to the court of a foreign country for pre-trial discovery as against non-parties if such application is lawful in that country.

The House of Lords so held, when allowing appeals by Assurantie Maatschappij "De Zeven Provincien" NV, sole defendant to an action by South Carolina Insurance Company Limited, and by Al Ahlia Insurance Company and Arabian Seas Insurance Company, first and second defendants to another action by South Carolina, from a Court of Appeal decision upholding injunctions restraining them from proceeding in the district court of the US Western District of Washington, at Seattle, for discovery of documents relating to the action.

* * *

LORD BRANDON said that a United States company, United National Insurance, reinsured risks with another US company, South Carolina. South Carolina re-re-insured with a number of companies in the London market, including De Zeven Provincien, Al Ahlia and Arabian Seas.

In about 1984 South Carolina called on those three companies to pay substantial sums under the contracts of re-re-insurance. They refused to pay, denying liability.

As a result South Carolina bought two actions in the English Commercial Court to recover the sums claimed. Its original intention was to seek summary judgment. However, counsel for De Zeven Provincien indicated that a number of substantial defences would be raised, including non-disclosure on South Carolina's part.

National's underwriting agent was Pacific General Agency Inc *(PGA), and the loss adjusters* who investigated the claims against United National were Arthur Campbell-Husted & Co. Their principal places of business were in Washington.

The re-re-insurers were remote from the facts in dispute and were obliged to rely for detailed information on such documents as they could obtain from South Carolina or PGA and Campbell-Husted. After South Carolina had put forward its claims against the re-re-insurers, but before the two English actions were begun, the re-re-insurers asked PGA if they could inspect documents at Seattle. PGA referred the request to its principal, United National, which consulted South Carolina. On the advice of South Carolina's solicitors, the request was refused.

It was provided by 28 United States Code, section 1782 that "the district court of the district in which a person resides . . . may order him . . . to produce a document . . . for use in a foreign . . . tribunal . . . The order may prescribe the . . . procedure . . . for producing the document . . ."

On March 28 1985, before the re-re-insurers had served their points of defence and counterclaims in the two English actions, they applied to the district court at Seattle under section 1782. They asked for an order against PGA and Campbell-Husted for production of documents and appearance of three named persons to give testimony by deposition.

Neither PGA nor Campbell-Husted resisted the application. South Carolina did and was given until April 29 to file an affidavit in opposition. It was to be inferred that neither PGA nor Campbell-Husted objected to producing the documents. It was only South Carolina's objection that stood in the way of their doing so.

On April 25 Mr Justice Hobhouse granted South Carolina injunctions restraining the re-re-insurers until further order from taking any further steps in their motion before the US court. His decision was affirmed by the Court of Appeal.

An essential difference between English civil procedure and US civil procedure was that in England discovery was limited to disclosure of documents in the power of the parties to the action, and generally did not take place until the formal pleading by both sides had been completed.

In the US parties to an action could compel as against persons who were not parties, a full measure of pre-trial discovery, *including disclosure of documents* and the giving of oral or written testimony.

In *Commissioner of Patents for South Africa (1980) 88 FRD 75* Judge Newcomer said in the US District Court of Pennsylvania: "This court should not by its exercise of the discretion allowed it under section 1782 allow litigants to circumvent the restrictions imposed on discovery by foreign tribunals." And in *John Deere v Sperry (1985) 754 F 2d 132* Judge Garth in the US Court of Appeals for the Third Circuit said: "A grant of discovery that trenched on the clearly established procedures of a foreign tribunal would not be within section 1782."

It was contended for South Carolina on the basis of those authorities that the re-re-insurers' application to the US was bound to fail.

There might be force in that contention. It was not possible, however, to decide in advance how the US court would exercise the discretion conferred on it by section 1782 in the particular circumstances of the case.

Since the hearing before Mr Justice Hobhouse the re-re-insurers had abandoned the intention to take depositions; the English actions were further advanced; and the US judge had stayed proceedings pending the present appeal.

The question was whether the circumstances of the case were such as to give the court power to grant the injunctions.

The power was statutory. It was conferred by section 37(1) of the Supreme Court Act 1981 which provided that "the High Court may . . . grant an injunction in all cases in which it appears . . . just and convenient to do so."

Although the terms of section 37(1) and its predecessors were very wide, the power conferred by them had been circumscribed by judicial authority dating back many years. The effect was that the power to grant injunctions (subject to two irrelevant exceptions) was limited to two situations.

Situation (1) was when one party to an action could show that the other had invaded or threatened to invade a legal or equitable right of the former for the enforcement of which the latter was amenable to the jurisdiction of the court. Situation (2) was where one party to an action had behaved or threatened to behave in a manner which was unconscionable.

South Carolina had not shown that situation (1) existed. The question was whether it had shown that situation (2) existed, in that the re-re-insurers had acted in a manner which was unconscionable.

It was difficult to define "unconscionable conduct" exhaustively, but it included conduct which was oppressive or vexatious or which interfered with the due process of the court.

The court of Appeal based its decision on three grounds.

The first was that the English court must retain control of its own process.

The Court did not in general exercise any control over the manner in which a party obtained evidence. It might give him help by discovery or subpoenas, but the basic principle was that it was for a party to obtain and present the evidence by his own means, provided that such means were lawful in the country in which they were used.

It was not disputed that if PGA and Campbell-Husted, uninfluenced by South Carolina, had voluntarily allowed the re-re-insurers to inspect, there would have been no interference with the English court's control of its own process.

That being so, since US law authorised an application of the kind made by the re-reinsurers, there was no reason why the making of such an application should be regarded as interference.

The second ground was that the civil procedure of US courts was significantly different from that of English courts and by submitting to the jurisdiction of the English court the parties must be taken to have accepted its procedure.

It was true that the re-reinsurers, by entering unconditional appearances to the two English actions, could be said in a sense to have accepted the procedure of the court.

But in seeking to exercise a right potentially available to them under US law they did not depart from or interfere with the procedure of the English court. All they had done was what any party preparing his case in the High Court was entitled to do, namely to try to obtain in a foreign country *by means lawful in that country,* documentary evidence which they believed they needed in order to prepare and present their case.

The third ground was that unrestrained access to foreign procedural remedies was liable to cause hardship in the form of increased costs and inconvenience.

It could reasonably be said that any liability for increased costs incurred by South Carolina was self-imposed.

If it had been willing to permit PGA and Campbell-Husted to allow the re-re-insurers to inspect the documents the application to the US court could not have been necessary. PGA and Campbell-Husted, left to themselves, would have given permission to inspect.

It was said for South Carolina that the documents were not relevant to the English actions. If that were so, one could not help asking why it had gone to such lengths to prevent disclosure.

The only result of South Carolina's seeking to obtain injunctions had been to increase greatly whatever delay the re-re-insurers' application, if allowed to proceed unopposed, might otherwise have caused.

If there was a reasonable possibility that inconvenience was the price of justice fully done at the trial of the two English actions, then it was a price which must necessarily be paid.

The re-re-insurers' application, made out in what might prove to be a just cause could *not, solely on the ground that* it occasioned extra costs and inconvenience, be categorised as an interference with the court's control of its own process.

There was no such interference with the procedure of the English court by the re-re-insurers as would amount to unconscionable conduct justifying the exercise of the court's power to grant injunctions against them. The appeal should be allowed.

Their Lordships agreed, though Lord Goff was reluctant to accept the proposition that the court's power to grant injunctions was restricted to exclusive categories.

For the re-re-insurers: Robert Alexander QC and Jonathan Sumption QC (Clyde and Co).

For South Carolina: Kenneth Rokison QC, Christopher Symons and Thomas Weitzman (Herbert Smith and Co).

By Rachel Davies
Barrister

UK COMPANY NEWS

STC recovers to £49m but still has problems

BY DAVID THOMAS

STC's programme of cost cutting and business disposal were reflected in the group reporting yesterday pre-tax profits of £49.2m for the first half of 1986, compared with £23.4m in the first half of last year.

An interim dividend of 1.5p is being paid. Last year, the directors had just embarked on restructuring the group under the chairmanship of Lord Keith and no interim payment was declared.

The share price responded to the figures with a 10p fall on the day from 166p to 156p.

The group's divestment programme generated £77m in cash over the past six months, bringing the total proceeds to date from disposals to £92m.

These proceeds, plus positive cash flow from improved profitability and reduced working capital, reduced net borrowings by £133m to £78m at the end of June.

The debt/equity ratio is now 15 per cent compared with 52 per cent a year ago.

However, the directors said that the disposals programme was nearly complete.

Group turnover in the first half, excluding discontinued activities (which contributed £28.1m) was £893m, marginally ahead of the same period of 1985.

Operating profit for the ongoing business was £57.8m, 13 per cent ahead of last year, reflecting an improved margin on sales of 6.5 per cent (5.7 per cent in 1985) and a reduction in corporate costs.

Reduced borrowings led to a halving of the interest charge to £10.9m.

After allowing for tax of £18.8m, profit on ordinary activities was £30.4m, giving earnings per share of 5.6p (2.8p in 1985).

Lord Keith welcomed the return to profitability, but warned: "Many problems remain, which will demand constant management attention to ensure the longer term future of the company" — the group ended the 1985 year £11.4m in the red pre-tax.

ICL, the group's computers and office equipment business, increased its profits to £43.2m (£26.3m) on an 11 per cent increase in turnover to £565m.

The directors said that ICL experienced strong growth in demand for its mainframe systems products, particularly the new Series 39 launched last year and its DRS 300 distributed computer system introduced in April.

Profits for the communications systems division, which combines telecommunications and submarine systems, were lower than last year, though the group did not give a figure.

The directors said: "Further orders for the TXE4A exchange equipment enhancements, together with shipments of local transmission products and scheduled deliveries on major submarine systems contracts will improve trading results for the full year 1986."

The group said that components manufacturing had returned virtually to break-even; the profits had been maintained for the electronics distribution and distributors businesses; and that higher profits were achieved on the defence side. But STC did not give profit figures for any of these businesses.

See Lex

TOTAL ACTIVITIES	6 months June 1986 (£m)	6 months June 1985 (£m)
Turnover	921.1	974.4
Operating profit	58.2	50.7
Pre-tax profit	49.2	23.4
Net profit†	50.8	*7.5
CONTINUING BUSINESS		
Turnover	893.0	890.1
Operating profit	57.8	51.0
Total funds employed	592.6	807.5
Net borrowings	78.2	276.9
Debt equity ratio	15%	52%

* Loss

† After tax and extraordinary items

Shell Oil in US deal with Phillips

By Lucy Kellaway

Shell Oil, the US subsidiary of Royal Dutch Shell, has agreed to buy an assortment of Californian oil interests from Phillips Petroleum, in a deal estimated to be worth between $200m and $250m (£169m).

The deal will conclude Phillips' heavy programme of asset sales which has raised a total of $2bn in the past few months. The money is being used to reduce the group's heavy burden of debt.

The properties, which include several onshore and offshore exploration and production interests in California, will add to Shell's existing strength on the west coast of the US. One of the properties is a stake in the Beta field, which Shell operates and of which it already controls more than 50 per cent.

The other assets include a stake in the Huntington Beach Field, which includes five offshore State leases totalling 3,540 acres and onshore leases of 2,160 acres.

The producing assets will generate about 30,000 barrels of oil a day, adding to Shell's existing Californian production of about 200,000 barrels a day.

The exact price paid for the interests has not been disclosed, but a spokesman from Phillips confirmed yesterday that it was between $200m and $250m. This is almost twice as much as some US industry analysts had expected.

Shell Oil is one of the largest producers of oil and gas in the US, with production running at over 500,000 barrels a day, putting it in fourth place after Exxon, Standard Oil and Texaco.

California is Shell Oil's largest producing area, followed by the Gulf of Mexico, offshore Northern Alaska, and the Baring Sea.

Like all exploration and production companies, Shell Oil has been hard hit by the fall in the oil price. In the second quarter, net income fell to $219m from $337m.

Raymond Snoddy looks at the forthcoming flotation of Yorkshire TV

Fox goes in search of bulls

Yorkshire Television is the smallest of the big five independent television network production companies and it faces an uphill struggle to hold on to its share of advertising revenue as wealth continues to slide remorselessly towards the south.

But as Yorkshire floats 25 per cent of its shares on the Stock Exchange later this month it has the advantage of strong local identification with the station, a growing reputation for programmes such as First Tuesday, and Mr Paul Fox, the company's managing director and one of the heavyweights of British television.

"When Paul puts his head down it is like a bull charging and it takes a wall six feet thick to stop him," said one who has worked closely with him.

Yorkshire hopes there will be a few other bulls about when it becomes the last of the 16 independent television companies to go for a quote and the third to come to market this summer. It is looking to mop up some of the money left after the oversubscribed Thames TV and TV-am flotations. The prospectus, due on August 22, should value it at around £40m.

A previous attempt at flotation two years ago had to be abandoned because shares due to be put on the market were bought instead by W. H. Smith.

This time the shares are coming from United Newspapers, which is pulling out of commercial television, and from a scaling down of the holdings of the other main shareholders — Bass, Pearson (publishers of the Financial Times) and W. H. Smith.

Yorkshire is coming to the market at a time of rising ITV advertising revenues, when the worst uncertainties over the possibility of advertising on the BBC has apparently been lifted by the Peacock report, and the Government has decided to extend ITV franchises for two years from 1989 to review the whole franchise position.

Yorkshire also had a favourable IBA mid-term review and the prospects look good for increasing profits. Analysts expect pre-tax profits for the year to September to be in excess of £7m compared with £3.5m in 1985.

Despite the recent appointment of Mr Paul McKee from ITN to the newly created post of deputy managing director, the separation after many years of the posts of managing director and director of programmes, Yorkshire is still dominated by one man.

He is Mr Paul Fox, one of the heavyweights of the British television industry, former controller of BBC 1 and current president of the Royal Television Society.

Although he has now been in commercial television for 13 years he sometimes sounds like the director general of the BBC he never became. "ITV managing directors pay lip service to the concept of public service broadcasting—Paul Fox actually means it," says a former Yorkshire director.

It is a traditional approach that has led Mr Fox in recent years to concentrate virtually all Yorkshire's efforts on the production and selling of television programmes, avoiding diversification into other businesses.

"We are concentrating on the things we are good at, the things we know, and where we can keep costs under control," says Mr Fox, whose rather gruff exterior helps to make him an honary Yorkshiremen although he is from the south and still lives in Hertfordshire.

He believes that despite the advent of the age of satellites, existing terrestrial television has "a good 20 years life in it," and he has been cautious over investments in the new media of cable and satellite television.

There has been a small "toehold" investment in W H Smith's Life Style cable channel, a 20 per cent stake in Music Box, the satellite pop musical channel controlled by the Virgin Group, and a stake in Super Channel, the independent television satellite channel aimed at the rest of Europe.

Next Friday Yorkshire will launch 24 hours a day television in the UK for a 13 week experiment. From 12.30 am to 6.15 am Yorkshire will re-broadcast Music Box through its own transmitters. "I am hopeful we will wash our face," is all Mr Fox will say about the economics of the project.

But the Yorkshire managing director is more pessimistic about British plans for a direct broadcasting by satellite (DBS) project which is likely to cost more than £200m.

"We are not even in the paddock," says Mr Fox whose favourite pastime, apart from watching television, is going to race meetings.

Yorkshire's most serious battles are, however, more down to earth than satellite broadcasting. They involve the price the station gets for its advertising, the share of national advertising the company wins and the fact that not all of Yorkshire can receive Yorkshire Television.

Even more serious in the curious world of television advertising is the fact that high audiences (which Yorkshire gets) can actually mean less revenue. Advertisers decide they can get their advertisement before the required number of people more quickly and try to pay a lower "cost per thousand" — the total advertising revenue divided by the size of the audience.

Such a simple equation has meant that Yorkshire has in the recent past had a cost per thousand of around £3.45 compared with £7.90 for Television South.

Mr Clive Leech, director of marketing and sales, has taken a stand, and charged more for advertising in what he regards as a core market which has 9.5 per cent of consumer expenditure and 10.3 per cent of homes.

The result has been that Yorkshire has — against the north/south trend — increased its share of national advertising from 8.9 per cent to 9.1 per cent. By May its cost per thousand had risen to £4.79 and growing closer to the network average of £5.42.

Mr John Sanderson, media analyst at stockbrokers Fielding Newson Smith, believes Yorkshire has had considerable success in overcoming the disadvantages of high ratings and network programming responsibilities on a lower market share.

More help for Yorkshire could be on the way from the IBA. In its annual report the Authority has promised to look again at the transmitter problems that mean several streets in Bradford and 24 per cent of the homes in Harrogate cannot receive Yorkshire Television.

The IBA also says it "recognises the decline in Yorkshire's share of national advertising revenue and is prepared to discuss ways in which the problem might be approached."

Mr Paul Fox, managing director of YTV and "one of the heavyweights of British TV."

Bruntons interim profits fall

By David Goodhart

Bruntons, the Musselburgh-based wire and rope manufacturer facing a hostile £4.96m all-cash bid from Carclo Engineering Group, yesterday announced lower interim pre-tax profit of £399,000, against £430,000 last year.

Turnover for the half-year to June 29 was also down from £6.4m to £5.6m, but the company said that the recent rationalisation in wire manufacturing was likely to save £200,000 a year.

Mr Robin Duthie, the chairman, said the comment he made in the last annual report that it would be difficult to maintain the 1985 profitability in the current year still stood.

Bruntons also yesterday released its formal defence document stating that the offer of 62p a share represents a premium of only 12.7 per cent over the pre-bid price and is well below the asset value of 86p a share.

The document reveals that the company is aiming to sell parts of the 25-acre site overlooking the river Esk in Musselburgh.

"The merger of the two companies could well make commercial sense but the current terms of the offer make financial sense only for Carclo's shareholders," the document concludes.

Glynwed buys

Glynwed International has bought specialist steel producer Firth Cleveland Steel Strip, based in Tipton, West Midlands. Firth is valued at around £4.3m. Glynwed said that the high carbon, cold-rolled strip business of Firth would complement its existing interests in this field, and would enable it to provide a wider range of products worldwide. The purchase also includes Firth's six strong New York sales staff.

Guinness could face DTI probe over Distillers bid

BY DAVID GOODHART

Guinness should face a full investigation from the Department of Trade and Industry if it fails to keep promises made in its offer document for Distillers, according to Mr Alex Fletcher, the Conservative MP for Edinburgh Central, and a former consumer affairs minister.

Mr Fletcher, who is also an adviser to the Argyll Group, Guinness's rival for control of Distillers, has written to Mr Michael Howard, the current consumer affairs minister, to press this view.

Following the row surrounding Guinness's announcement that it planned to scrap the separate supervisory board to be chaired by Sir Thomas Risk, governor of the Bank of Scotland, attention has focused on the new proposals to be outlined in a circular to shareholders. The document is expected at the end of this week or early next.

Mr Fletcher said he feared that Guinness was seeking "the minimum way" of meeting the commitments made and urged the DTI not to accept "a fudge" particularly at this moment of rapid change in the City. The two points Mr Fletcher is particularly anxious to see held to are the appointment of a separate chairman and the movement of the corporate headquarters to Scotland.

● Guinness said yesterday it was taking the first steps in the revitalisation of the whisky brands acquired with Distillers by establishing a top team of advertising and market research experts to review international advertising and marketing. The team will include Mr Frank Lowe, chairman of Lowe Howard-Spink, and Mr Peter Cooper, chairman of Cooper research.

Gilbert House may go private

By Charles Batchelor

Gilbert House Investments, the property investment and development group brought to the Unlisted Securities Market in June 1983 will become a private company again if a bid from the controlling Parretts family is successful.

Letts Green Estate, a company owned by family interests of Mr Turrloo Parrett, the Gilbert House chairman, yesterday announced plans to make an offer, for the outstanding 19.68 per cent of the company.

The bid of 15p cash for each outstanding Gilbert House share values the company at £4.32m. There is an alternative offer of £1 nominal worth of 6 per cent unsecured loan notes due in 1990 for every five shares.

When Gilbert House placed 2.67m 10p shares on the USM three years ago they were priced at 17½p each. The shares rose 2p to 15p yesterday.

Letts Green owns a 30.99 per cent stake while Mr and Mrs Parrett hold a further 49.33 per cent. Of the outstanding shares another director of both Letts and Gilbert House, Mrs R. J. Campbell, owns 3.12 per cent and has undertaken to accept the offer.

PHIT launches an attack on Greycoat's portfolio

BY CHARLES BATCHELOR

Property Holding and Investment Trust (PHIT) yesterday launched a hard-hitting attack on Greycoat Group, the property development company which is making a hostile £107m takeover bid.

PHIT attacked the quality of Greycoat's portfolio, its accounting policies and the frequency with which it has issued shares in recent years.

Forty-five per cent of Greycoat's properties are in the City of London and 80 per cent are offices, a level of concentration which significantly increases the risks attached, claimed PHIT. A substantial number of the properties are of poor quality by reason of age, location or tenure, it added.

PHIT also said it had difficulty accepting a significant number of Greycoat's own property valuations "even allowing for normal valuation tolerances."

Greycoat's accounting policies were in general less conservative than those of PHIT and other listed companies, PHIT claimed.

Pre-tax profits of Greycoat would have been less than half the reported level in the year ended March 1986 without these items, PHIT said.

Mr Geoffrey Wilson, Greycoat chairman, replied that none of these points had been raised by PHIT during the unsuccessful talks attempted before the bid.

Its properties were valued by leading valuers and the accounting policies accorded with those adopted by many companies, he added.

Ship Canal cuts losses midway

The Manchester Ship Canal Company, which is fighting a takeover bid from Highams, the private Oldham-based industrial textiles group, yesterday reported a first half pre-tax loss of £750,000, down from the £1.89m reported in the same period of last year. The figure included £2.77m (£1.52m) of exceptional expenditure on voluntary severance.

There was a profit of £2.02m (£364,000 loss) on ordinary activities, before exceptionals, on turnover that rose from £10.4m to £11.4m.

The after-tax loss, also taking into account £77,000 of extraordinary takeover defence costs, came to £827,000, against £1.89m and the loss per share was down from 50.2p to 22.2p.

The company pointed out that its interim operating profit was almost as much as was achieved during the last full year. Mr Donald Redford, chairman, said it was evidence of the determination with which MSCC was tackling its problems and the management's success in reviving its fortunes.

"The severance payments of over £2.7m inevitably depressed the figures but as a result we have been able to reduce staff numbers by 20 per cent, which will produce significant savings in the second half. There are no significant severance costs foreseen in the second half of the year, or thereafter," he added.

The asset value of its property interests had increased by 19 per cent this year, bringing the total value to more than £36m, due to progress in various planning applications.

Highams, which sent its offer document to shareholders at the weekend, claimed that MSCC's present policies were "vague and outdated." It added it could bring a new decisiveness to the company's affairs.

Highams already holds 48.5 per cent of MSCC's shares, though far less of the voting rights, and could declare the offer unconditional once it received acceptance covering a mere 121,792 shares.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corresponding div.	Total for year	Total last year
Lawrie Group	40	—	35	40	35
Nordic Inv	0.2	Sept 15	—	0.2	—
Peel	6	—	5.5	8.75	8
Rush & Tompkins	2.2	Oct 3	5.65	10.65¶	7.65§
STC int	1.5	—	Nil	—	Nil

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 15 months. ‖ For 12 months.

Svenska Handelsbanken

US$ 100,000,000 12⅝% Notes 1989

NOTICE IS HEREBY GIVEN that pursuant to Condition 4(b) of the Notes, US$ 1,505,000 principal amount of the Notes has been drawn for redemption on 5th September 1986, at the redemption price of 101% of the principal amount, together with accrued interest to 5th September 1986.

The serial numbers of the Notes drawn for redemption are as follows:—

66	1482	2381	3532	4820	5947	6989	7943	8779	9854	10749	11802	12914	14057	15011	15909	16955	18000	18906
184	1550	2513	3572	4871	6053	7075	8031	8818	9869	10762	11820	13015	14077	15051	15969	17077	18036	18925
185	1613	2552	3577	4889	6124	7100	8055	8823	9918	10765	11831	13020	14120	15071	15980	17243	18063	18965
254	1629	2635	3595	4976	6143	7120	8104	8924	10009	10797	11850	13064	14244	15072	16050	17319	18144	19056
564	1734	2678	3644	5010	6175	7134	8106	8979	10141	10875	11861	13133	14337	15119	16095	17466	18149	19157
592	1739	2718	3705	5048	6270	7181	8115	9032	10150	11076	11893	13252	14353	15143	16156	17512	18302	19196
706	1900	2949	3764	5111	6273	7289	8148	9202	10154	11194	11974	13286	14368	15146	16168	17563	18380	19236
709	1904	3014	3886	5175	6305	7454	8154	9217	10206	11241	12020	13352	14415	15352	16242	17570	18600	19274
710	1925	3062	4026	5214	6360	7471	8159	9339	10268	11313	12029	13539	14455	15356	16276	17735	18616	19295
808	2110	3141	4075	5276	6549	7511	8215	9375	10295	11373	12048	13551	14462	15424	16311	17805	18624	19674
833	2117	3171	4208	5477	6579	7572	8226	9408	10297	11445	12191	13657	14466	15425	16370	17835	18651	19919
912	2289	3209	4248	5532	6613	7686	8389	9480	10446	11450	12313	13874	14705	15508	16448	17845	18721	19932
1117	2290	3234	4342	5648	6660	7716	8392	9591	10460	11499	12478	13962	14718	15583	16562	17853	18737	19973
1159	2303	3251	4365	5873	6697	7787	8446	9595	10553	11665	12480	13999	14755	15807	16585	17892	18805	
1181	2312	3270	4524	5929	6706	7803	8686	9657	10573	11728	12648	14006	14808	15902	16625	17912	18812	
1361	2342	3362	4728	5939	6953	7881	8766	9829	10663	11754	12858	14010	14928	15903	16821	17988	18855	

On the 5th September 1986, the said redemption price will become due and payable upon each Note to be redeemed, together with accrued interest from 20th February 1986 to 5th September 1986 amounting to US$ 335.16 per US$ 5,000 Note. On and after that date, interest on the said drawn Notes will cease to accrue.

Payment of the Notes to be redeemed will be made on or after 5th September 1986 upon presentation and surrender of the said Notes, with all coupons appertaining thereto, at the office of any of the Paying Agents mentioned thereon.

Bankers Trust Company, London — Agent Bank

5th August 1986

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1,750,000	Ordinary shares of 10p each	1,089,220
4,000,000	5.75 per cent. Convertible Cumulative Redeemable Preference shares of £1 each	2,970,599
5,750,000		4,059,819

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Scantronic Holdings PLC
8 Wycombe Road,
Wembley,
Middlesex HA0 1ZG

Barclays de Zoete Wedd Limited
Ebbgate House,
2 Swan Lane,
London EC4R 3TS

de Zoete & Bevan
25 Finsbury Circus,
London EC2M 7EE

Company Announcements Office
The Stock Exchange, Throgmorton Street, London EC2P 2BT
(up to and including 7th August, 1986)

5th August, 1986

ÖSTGOTABANKEN

US$20,000,000

SUBORDINATED FLOATING RATE NOTES

DUE 1990

For the six months
6th August 1986 to 6th February 1987
each Note will carry an Interest Rate of 6⅞%
per annum and a Coupon amounting to US$34.50

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High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord	131	—	7.3	5.6	8.0	7.5
151	121	Ass. Brit. Ind. Cula	131	—	10.0	7.6	—	—
125	43	Airsprung Group	112	+2	7.6	6.8	7.0	6.3
46	28	Armitage & Rhodes	33	—	4.3	13.0	4.1	4.9
186	106	Bardon Hill	186	+1	4.6	2.5	21.1	19.4
79	42	Bray Technologies	79	—	4.3	5.4	9.4	8.6
201	75	CCL Ordinary	80	—	2.9	3.6	5.7	6.9
152	86	CCL 11% Conv Pref	86	—	15.7	18.3	—	—
230	80	Carborundum Ord	230	—	9.1	4.0	11.1	11.4
94	83	Carborundum 7.5% Pref	90	—	10.7	11.9	—	—
65	46	Deborah Services	65	—	7.0	10.8	6.6	8.9
32	20	Frederick Park Group	23	—	—	—	—	—
125	50	George Blair	120	−3	3.8	3.2	3.1	4.4
69	20	Ind. Precision Castings	69	—	3.0	4.3	18.2	15.2
218	156	Isis Group	165	−1	15.0	9.1	12.7	19.0
120	101	Jackson Group	120	—	6.1	5.1	8.2	7.3
364	228	James Burrough	364	—	17.0	4.7	10.2	9.3
100	86	James Burrough 9% Pf	100	—	12.9	12.9	—	—
95	56	John Howard Group	57	—	5.0	8.8	—	—
960	342	Multihouse NV	950	+60	—	—	40.6	64.9
380	260	Record Ridgway Ord	374	—	—	—	6.7	11.5
100	89	Record Ridgway 10% Pf	89	—	14.1	15.8	—	—
82	32	Robert Jenkins	73	—	—	—	3.2	4.6
38	28	Scruttons 'A'	38	+1	—	—	—	9.2
100	66	Torday & Carlisle	100	+2	5.7	5.7	6.1	6.1
370	320	Trevian Holdings	320	—	7.9	2.5	6.7	8.8
67	25	Unilock Holdings	66	—	2.8	4.2	12.2	11.4
200	93	Walter Alexander	200	—	8.6	4.3	11.3	13.8
226	190	W. S. Yeates	190	—	17.4	9.2	19.0	21.1

UK COMPANY NEWS

Haden may seek a stock market listing in the US

BY CHARLES BATCHELOR

Haden, the engineering group which was bought out by its management a year ago, expects to seek a stock market listing, probably in the US, within the next few months following the sale of its building services division to BICC for £44m.

The sale of the building services division—comprising air-conditioning, heating, ventilation, fire protection and electrical services—leaves Haden primarily a specialist in factory automation.

The automation division's activities made a pre-tax profit of £8.8m on turnover of £115m in 1985. Nearly 80 per cent of its profits are made in the US though there are smaller operations in the UK, Belgium, Spain and Germany.

Mr Philip Ling, Haden's managing director, said: "The sale to BICC leaves us in a strong position with the backers of the buy-out sitting on a substantial profit which we will probably realise by taking the remaining group public.

"I expect it will be a matter of months rather than years. As a British company with most of our backers in Britain our natural reflex is to seek a London listing. Personally I think is will be in the US, possibly on their over-the-counter market."

Haden's management launched its successful £55.8m buy-out in May 1985 following a hostile £37m takeover bid from Trafalgar House. This was the first time a management buy-out had been attempted as part of a defence strategy in the UK.

Sir William Barlow, BICC chairman, said yesterday that Haden's building services division would complement the electrical contracting business currently carried on by Balfour Kilpatrick, part of its Balfour Beatty subsidiary.

Haden Building Services made a pre-tax profit of £6.7m in sales of £241m in 1985 and had net assets of £9.5m at the end of the year. Companies which made up the division accounted for 3,900 of Haden's total workforce worldwide of 4,600.

The acquisition includes Haden's 49 per cent interest in Carrier Distribution, which distributes Carrier air conditioning and refrigeration equipment in the UK, and a 50 per cent interest in Swire Haden in Hong Kong.

BICC will pay £43m for the Haden businesses and a further £1m for certain properties. The £43m will be financed by the allotment to Haden of 16.83m new BICC shares.

Morgan Grenfell has agreed to buy or find buyers for the new shares at 280p per share. BICC's shares closed 13p lower yesterday at 265p.

Haden will use about £20m of the sale proceeds to settle inter-company accounts with the companies being sold, leaving about £24m to invest in the further development of the remaining businesses and reduce outstanding debt or preference capital.

Haden said the sale of the building services division had not formed part of its plans when the buy-out was staged but BICC had approached it with a satisfactory offer which had industrial logic and which was acceptable to its employees in that division.

Berry Trust hits out at Ensign offer

BY TERRY GARRETT

Mr Jamie Bery, a director of beleaguered Berry Trust, described Ensign Trust's offer document in pursuit of its £85m bid as "an invitation to a blind date."

Because of the complicated variables of one investment trust bidding for another with both sides of the equation determined by moving asset values, the actual value of the bid cannot be determined until—and if—it goes unconditional.

"It is a potently poor offer where shareholders don't know what they are getting," added Mr Berry. "Bery is just a pawn in Ensign's plan to build a financial services conglomerate."

Mr Geoffrey Musson of Ensign was uncompromising yesterday declaring that "if Ensign's bid is a blind date so is an investment in any trust or share. Only gilt-edged stocks are not blind dates."

The document cites, by way of an example, that the paper bid valued Berry at 267.5p per share on June 30 compared with an asset value of 287.2p representing a discount of 6.8 per cent. The cash alternative of 265.8p is at a 7.5 per cent discount. When Ensign first made its offer the equity terms were pitched at a 4 per cent discount with the cash price at 8 per cent.

According to one leading analyst the offer terms have slipped to the point where they are "getting a bit edgy." If enough light shows between the terms and asset value the way would be easier for a white knight to launch a rival bid.

So far at least the defence says it is not considering putting alternative proposals, such as unitisation or a friendly offer, to its shareholders.

The Ensign document is a fairly low-keyed initial attack that concedes a good performance from Berry in recent years but argues that GT Management, which has just been floated on the Stock Exchange, has been a major contributor to that performance and that the money raised for the disposal of a large part of the GT investment would be invested in assets "where its record of investment in recent years has been less good."

McCorquodale sale makes £5m

BY DAVID GOODHART

McCorquodale, the printing and packaging group, has made some £5m from the sale of its 25 per cent stake in the Dealer's Digest, the New York financial publishing company which is being acquired by Extel for $40m.

The stake was acquired for $2m between December 1982 and 1984 and is being sold—subject to Extel shareholder approval—for $10m. McCorquodale will receive $7.7m cash, $375,000 in Extel non-interest bearing notes and the balance in Extel shares.

In October, McCorquodale may face a revival of the unwelcome £110m bid for it from Norton Opax, the fast-growing but far smaller printing company. The original bid was referred to the Monopolies Commission in April, mainly on the grounds of a combined market share in personal cheque printing of 45 per cent.

McCorquodale is therefore keen to stress that the sale of its Dealer's Digest stake does not represent a cooling of interest in the expanding US publishing market.

Mr John Holloran, the managing director, said the company still owned R S Means—another data-base publishing group in the US—and had just spent $2m buying a 25 per cent stake in ATR Reports Inc. It is also seeking further acquisitions in this market.

In the UK, however, it has announced the closure of its small lottery ticket printing business in Weybridge—Astra Games—which employed 30 people. Most of the work is being transferred to Confidential Print at Warburton, Buckinghamshire, and half the staff will be offered jobs elsewhere in the company.

Peel's move out of town helps profits soar 62%

Peel Holdings, the edge-of-town superstore and retail park property specialist, yesterday announced figures for the year to March 31 1986, showing a 62 per cent increase in taxable profits to £5.35m and a 25 per cent jump in asset value per share to 425p.

The dividend for the year is also lifted, on capital increased by last January's £17m rights issue. A final of 6p compares with 5.5p last time, bringing the total to 8.75p against 8p. Earnings per share came out 65 per cent ahead at 32.89p.

Mr John Whittaker, the chairman, said that the year had been a busy one for the company. Shortly after the rights, Peel acquired Stonehouse Investments, a Gloucester based property concern, for £2.4m cash, and in April issued £35m worth of debenture stock. He expected continued growth in profits and assets.

The company will continue with its main business of developing edge of town sites for retail development, which it believes offers high levels of demand and rental growth, compared with town centre locations.

When the group's current developments are completed the retail property portfolio will total 1.84m sq ft. In addition there will be 44 sites where offers have been made and a further 200 sites under investigation.

The first rent review commences in September 1986, and Mr Whittaker said that the group would achieve above average rental growth for the sector.

A valuation of the residential land portfolio to be carried out next year is expected to yield substantial surplus. The group also sees growth coming through further lettings on refurbished industrial property, the gradual expansion of residential development, increased land and sales and planning gain on land holdings.

Turnover rose from £6.11m to £7.27m, and the pre-tax result was struck after much higher finance charges of £3.91m (£1.44m). The company said yesterday that it intends to replace bank borrowings at variable rates with long term fixed rate finance by a further debenture stock issue.

Tax took £111,000 against £225,000, and after dividends of £928,000 (£761,000) the company retains £4.31m (£2.32m).

COMPANY NEWS IN BRIEF

BARRIE INVESTMENTS & FINANCE is recommending shareholders to accept an offer of £2.05m for the company's property at 187/211 St John Street, London, EC. At an auction last June the highest bid for the property was £1.85m.

DRG has bought TBS Engineering (Cheltenham) as part of its strategy for expanding its specialist engineering. TBS makes machines for the production of lead acid batteries.

CHRISTIAN SALVESEN has formed Aggreko USA to acquire Electric Rental Systems, a leading US power rental group of New Iberia, Louisiana. Salvesen's total investment is about $5m (£3.4m).

NORDIC INVESTMENT Trust showed a net profit of £239,778 in its first full accounting period, March 19, 1985, to May 31, 1986. Earnings were 1.71p per share and the dividend 0.2p. At the end of the period net asset value was 68.8p, which represented a 45.5 per cent increase over the funds available for investment at the beginning of the period of 47.3p per share after expenses of the listing in June 1985. Deposit and loan interest, underwriting commission and dealing profits totalled £685,000, while management expenses and interest charged came to £153,000.

MICROLEASE, USM-quoted electronic hire company, has set up a subsidiary in Dublin as part of its expansion into Europe. Mr David Rennie, chairman, said that the present year had started well and he looked forward to the new company contributing to profits in due course.

FORMINSTER, maker of outerwear clothing, has purchased 2,500 of its ordinary shares at 200p for cancellation. The purchase represents some 0.07 per cent and leaves 3,355,744 shares in issue.

BOOKER has sold its convenience stores, Zipin and John Quality, to Circle K (UK) for £2.5m plus stock. Two undeveloped sites and 14 trading units are involved.

JAMES CROPPER, paper manufacturer, had performed to target on profit, volume and turnover in the first quarter, the chairman told the AGM. The second quarter had started well and with the order book full for August and September the immediate prospects looked good.

W. S. YEATES, the diversified trading group, reached agreement with Mr Harry Goodman to purchase the HS 125 operating division of Marine and Aviation Management International, the Heathrow based executive jet charter operator.

HODGSON HOLDINGS has agreed terms for the acquisition of Cooks Funeral Service of Chesham, Buckinghamshire, and Malcolm Jones Funeral Service, of Berkhampstead, Hertfordshire. The joint consideration is £300,000.

DWYER & CO's £5.35m purchase of four properties from British Land will be part financed by the issue of 2.875m ordinary shares, to cover the initial payment of £1.44m, of which 2.675m will be placed on behalf of British Land at 50p each. The mortgage of £3.91m held by British Land will be on an interest-only basis for three years at an annual rate of LIBOR plus bank reserve costs and 2¼ per cent. Dwyer is issuing a further 525,000 shares of which 131,250 will be offered to the market at 50p or its equivalent, to cover acquisition costs and provide working capital.

SCAPA GROUP has increased its stake in Spanish industrial company, Textil Guissona, from 16.5 per cent to 98 per cent, at a total cost of £1.7m. In 1985, Textil Guissona earned after-tax profits of £370,000, and at December 31 1985 had a net book value of £2.15m.

STANDARD CHARTERED Bank's Kenyan operations showed a profit of 73.2m Kenya Shillings (£3m) for the six months to June 30 1986 compared with 37.3m Kenya Shillings last time.

ERSKINE HOUSE GROUP has completed the acquisition of Trent Copiers, which is based in Derby and distributes and services copiers. The maximum consideration payable is £135,000, of which £85,000 was paid on completion, provided 1986 pre-tax profits of Trent exceed £50,000 and net assets reach £10,000.

FALCON INDUSTRIES is unable to pay the dividend on the preference shares due on July 1 1986. Directors of this holding company with interests in building, tools and engineering, said that the situation would be resolved following the proposed capital restructuring but dividend rights fell into arrears after July 31.

CELTIC HAVEN is to acquire West Investments, a private holding company. Consideration comprises the initial issue of 1.7m Celtic shares at 60p each and further issues may be made up to a maximum total of 5m dependent on West's profits for the period to March 31 1987.

MALAYAN CEMENT Berhad, a subsidiary of Blue Circle Industries, reports taxable profits of Ma$11.995m (£3.09m), against Ma$18.2m, for the first six months of 1986. Turnover was $99.77m ($120.01m).

LEIGH INTERESTS has sold the share holdings of Church and Co. (Fittings) to Shopfitters (Lancs) Holdings for an aggregate consideration of £281,000. Church will repay an inter-company loan of £568,192 to Leigh over five years. The factory premises, currently occupied by Church, at South Marston, Swindon, will be leased by Leigh to Church.

NOLTON was contracted to acquire Executive Services, Executive Services (London) and Executive Services (Midlands) in separate deals. The initial aggregate consideration is £593,000 to be satisfied by the issue of 1.37m shares—arrangements have been made for these to be placed at 43.5p. Depending on profits, additional consideration could be made. The companies being acquired provide personnel services mainly to the health care sector.

CADBURY SCHWEPPES' acquisition of Canvermoor is not to be referred to the Monopolies Commission.

BOARD MEETINGS

TODAY

Interims: British Alcan Aluminium, Cannon Street Investments, Glynwed International, Kennedy Brookes, Pacer Systems, Pleasurama.

Finals: Dalepak Foods, Hambro Currency Fund, Ernest Jones (Jewellers), Millfields Investments, Unitech.

FUTURE DATES

Interims—	
Algemene Bank Nederland	Aug 15
BICC	Sept 10
Barker (Charles)	Sept 24
Braime (T. F. and J. H.)	Aug 26
Bunzl	Sept 4
General Accident Fire and Life Assurance	Aug 13
Gould (Laurence)	Aug 8
Investment Trust of Guernsey	Aug 6
Rea Brothers	Aug 8
Richards (Leicester)	Aug 29
Transport Development	Aug 11
Wickes	Sept 2
Finals—	
Casket (S.)	Sept 26
De Brett (Andre)	Aug 11
English Trust	Aug 11
Stone International	Aug 11

UK COMPANY NEWS

Unprofitable contracts hit Rush & Tompkins

Rush & Tompkins, the property investment, building and civil engineering group, reported pre-tax profits of £3.74m for the 15 months to March 31, 1986, compared with £3.05m for the previous year.

On an annualised basis, the result was virtually unchanged. The company said the performance was disappointing and mainly reflected historically unprofitable contracts in the construction division.

These contracts were now completed and plans for improving the division's profitability were being implemented.

Turnover for the 15 months was £184.34m (£117.8m for year) — an annualised increase of 25 per cent.

But reflecting a higher tax charge, net profits for the 15 months dropped to £2.26m (£2.56m for year) and stated earnings per 25p share were lower at 14.6p (22.6p). The final dividend however, is 2.2p net for a 15 months total of 10.65p, compared with 7.65p in the previous year.

Net assets per share showed a decline to 344p as at March 31, 1986, against 377p at the end of 1984.

The company said its new management team was now firmly established and plans for a resumption in growth of earnings and net assets, combined with a reduction in borrowings, were being implemented.

At the 12 months stage, the group announced pre-tax profits of £3.16m.

PHH Intl. earnings up 75%

PHH International, the UK subsidiary of PHH Group, of the US reported a 75 per cent jump in earnings for the year ended March 31 1986, largely due to the expansion of its fleet management and all star petrol card operations in the UK.

PHH International's turnover grew 66 per cent to £364m (£219m), of which its all star fuel card operation accounted for £259m (£166m). After-tax profits increased from £1.2m to £2.1m.

Net worth more than doubled to £14m, supported by an additional equity investment of £6m by the US parent company.

PHH's fixed assets showed a 35 per cent growth to £50m and included its acquisition for £2.3m of freehold land for the construction of the company's new headquarters in Swindon.

The company said that 1987 prospects looked good based on first quarter volume growth which had been stimulated by the launch of new products, including two new all star charge cards

Irish Sugar

Irish Sugar, Dublin-based sugar manufacturer and food processor, reported a jump in pre-tax profits from I£539,000 to I£1.68m (£1.59m) in the six months to end-March 1986.

The company said the results for the full year were expected to show an improvement on last year. However, they would not represent a commercial return on investment.

Commercial Bank rises to £0.5m

Despite considerable fluctuations in exchange rates, the **Commercial Bank of the Near East** lifted its pre-tax profit from £417,000 to £497,000 in the half year ended June 30 1986.

And the directors said they hoped that the same trend in profits would be reflected in the full year. For 1985 the profit was £704,000, and the dividend 30p.

Main currencies in which the bank's chief customers operate are sterling, the US dollar and the Drachma.

Gross income for the half year was £1.51m (£1.27m). Tax charged came to £187,000 (£175,000).

CONTRACTS

Beer to ballast for British Rail

British Railways Board has placed contracts worth over £14m with 16 private sector companies. They are STC Telecommunications (£2.23m) for pulse code modulation transmission systems; Redland Aggregates (£1.7m) for track ballast; Westinghouse Signals (£1.57m) for supply and installation of colour light signalling between Portslade and Angmering; IBM (UK) (£1.2m) for micro-computers; GEC Transmission and Distribution Projects (£1m) for 25 Kv switchgear for East Coast main line electrification; J. Murphy and Son (£1m) for construction of an underbridge at Painters Lane, near Waltham Cross; Henry Telfer and Trust House Forte In Flight Services (£2m shared) for packaged fresh sandwiches; Aylesbury Frozen Foods (£1.2m) for frozen beef patties; and Scottish and Newcastle Breweries, Bass, Carlsberg Brewery, C. Ruddle and Co, Courage Brewing, Whitbread and Co, and Watney Mann and Truman Brewery (£3.18m shared)) for canned beers and lagers.

Hi-tech in the villages

More than 180 villages throughout the UK are scheduled to get high-technology digital-electronic telephone exchanges, under an order worth about £7m placed by British Telecom. These exchanges provide communication facilities to groups of up to 300 or 600 customers. The order, placed with GEC TELECOMMUNICATIONS for deliveries in 1987-89, bring the total of UXD5 exchanges ordered by British Telecom to nearly 600, at a total cost approaching £40m, of which 170 are in operation, serving about 28,000 customers.

*

HADEN YOUNG has been awarded five orders worth £4.91m. A £1.6m air conditioning, mechanical and electrical contract at Sapphire Plaza, Reading, has been awarded by Sunley Projects on behalf of St Martin's Property Investments, and Higgs and Hill has placed a £700,000 order for refurbishment of the mechanical and electrical services at UAC House, Blackfriars Rd, London. Phases III and IV of the up-grading of engineering services at Queen Elizabeth Medical Centre, Birmingham, for the West Midlands Regional Health Authority, are worth £1.19m, and another refurbishment project, costing £870,000, is at Albany Terrace, London, for Laign Management Contracting on behalf of Crown Estate Commissioners. A £550,000 contract at Ind Coope's Burton brewery is for heating and ventilation to a new kegging hall and warehouse, together with cooling to cask stores and control rooms.

*

R. J. MAXWELL AND SON has won a £2m contract from the UK Property Services Agency for resurfacing the main runway and southern taxiway at RAF Kemble in Gloucestershire. Work will involve supplying and laying 100,000 sq metres of 40mm asphalt wearing course, supplying and relaying 20mm friction course and other ancillary civil engineering works.

*

The M and E division of Trafalgar House has secured mechanical and electrical services contracts totalling over £3m for projects in the north of England and at London's Heathrow airport. Largest of the contracts is for the refurbishment of mechanical and electrical services to factory premises at Birtley, Co Durham, for the Japanese earth-mover equipment manufacturers, Komatsu. The work entrusted to the northern division of YOUNG AUSTEN AND YOUNG includes initial inspection and report on existing M and E Services, followed by design and installation of updated equipment.

In central Manchester, the company will be installing mechanical, electrical, plumbing and fire protection services in an office block development. At the Holiday Inn, Heathrow Airport, YAY is undertaking a major refurbishment contract.

At the Wigan Market Square development, Lancashire, the Firesnow divison is installing automatic sprinkler and fire detection and protection systems for a retail area of 12,000 sq m including three store units, 75 shop units and eight kiosks and a 5,050 sq metre market hall for both food and durable goods traders.

*

CEGB BARNWOOD, the Gloucester-based generation development and construction division, has won two contracts together worth more than £600,000 to provide power station consultancy services to the Electricity Authority of Cyprus. Under the first contract, worth £513,000, a team from Barnwood will carry out a number of project management and engineering and site supervision services over three years for the addition of a 60 mW oil-fired generating unit to the Dhekelia B power station.

The second contract, worth £94,000, consists of a feasibility study for the construction of a coal-fired power station at Vasilikos. Part of the work—selecting a site along a 10 km stretch of the coast—has been completed. Further studies include coal sourcing, transmission stability, and a financial and economic evaluation, together with an outline engineering concept.

£20m to keep pipework cold

CAPE CONTRACTS INTERNATIONAL, a subsidiary of Cape Industries, has won a contract expected to approach £20m in value in conjunction with local contractors Clough Engineering & IPC on the N WShelf Export LNG Project in Western Australia. The primary insulation material will comprise polyisocyanurate foam which Cape will manufacture locally. At labour force of up to 200 insulators will be employed over a three-year period to apply the insulation and cladding to pipework and vessels on site at Karratha, some 900 miles North of Perth. The contract represents the culmination of extensive negotiations involving owners Woodside Offshore Petroleum and main contractor Kellogg/JGC/Raymond and is believed to be one of the largest insulation contract awarded.

*

R. DURTNELL AND SONS has been awarded a variety of contracts totalling nearly £3.5m for refurbishment, new build, repair, maintenance and minor works. The major contract is a 46 terraced house development at Sandmere Kepler Roads for the London Borough of Lambeth worth £2m. Construction work is in progress at the USAF Airbase, Greenham Common, to provide canteen facilities (£650,000). Work has also begun on a health centre at Thornton Heath for the South West Thames Regional Health Authority on what was formerly a Croydon Corporation depot (£700,000). The special works division has won a variety of smaller contracts totalling some £300,000, ranging from house refurbishments / conversions / extension/minor alterations and repairs.

*

Capital & Counties, who purchased the Weston Favell Centre from the Northampton Development Corporation in November 1984, has awarded a £1.1m building contract to W. S. TRY for remodelling part of the centre. The project will provide four additional large shop units at the northern end of the centre, in an area previously occupied by Wades furnishing store and part of the Tesco supermarket. The existing ramps and staircase in the north which will accommodate additional trading kiosks and an exhibition area. The contract period is six months but it is anticipated that most of the work will be finished before Christmas.

Testing Fords and Jaguars

SCHENCK, Bicester, has won orders from Ford and Jaguar worth almost £10m. For Jaguar, Schenck will supply an automated engine testing facility for testing the total output of V12 and AJ6 engines. Valued at some £7.5m, the order is thought to be the biggest ever placed in Europe for this equipment. At Ford, Schenck have won a turnkey contract worth over £2m to supply a computer-controlled test facility for the new Ford lean-burn engine. The company is the wholly-owned UK subsidiary of Carl Schenk, Darmstadt.

£18m orders for Monk

Building and civil engineering work valued at over £18m has recently been awarded to A. MONK. The housing division is developing a site at St Gilberts Rd, Bourne, for 98 detached bungalows valued at £5.5m. Roadworks contracts valued at £3m include 3 km of single carriageway for Devon County Council between Bovey Tracey and Newton Abbott, involving the construction of two reinforced concrete bridges.

Work for British Rail totals £495,000 and includes a bridge at Acklington Station in Northumberland; the construction of a connecting line between Holmes Junction and Rotherham Station and construction of a civil engineering depot at Newcastle upon Tyne.

New building work includes factory units for English Industrial Estates Corporation at Hartlepool valued at £336,000 and a children's hospice and separate sisters' home at Boston Spa, valued at £934,370. The hospice to be known as Martin House, will be the second children's hospice to be built in western Europe.

Refurbishment work valued at £2.27m includes rehabilitation of houses for the Rhondda Borough Council, refurbishing of a mill and adjoining house at the Thwaite Mills industrial museum, improvements to sports club at Warrington, improvements to quality control building at Mobberley for Ilford, and the maintenance of Crown buildings and other establishments for the Property Services Agency in Durham and Cleveland.

Sewer work totalling £899,000 is being carried out in a number of locations with three of the contracts using the Ferro-Monk lining system. Clients include the Southern Water Authority, Portsmouth, Manchester and Liverpool City Councils and Shell UK at Stanlow.

FBC has awarded Monk a £1.28m contract for building and civil engineering work in connection with a Prochloraz plant at Widnes. Monkradle Engineering, a division of Monk, has won contracts totalling £800,000. Two of these contracts are for the design, fabrication and testing of access platforms for oil and gas rigs in Norway and a further contract is for the restoration of the Syon Great Dome at Syon Park in Brentford.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡‡	F.P.	15/8	127	108	‡Airsprung Group 10p	112	......	5.4	2.8	6.8	7.4
§115	F.P.	22/8	142	128	‡Anglia Sec Homes 10p	142	+1	R1.63	5.0	1.6	17.5
§115	F.P.	—	125	120	‡Atlas Conv'ting Equ 5p	123	......	R4.9	2.3	5.6	11.1
§67	F.P.	8/8	71	68	‡BBB Design Grp 5p	70	......	L1.0	4.2	2.0	16.8
‡‡	F.P.	—	289	280	BTR Nylex A$0.50	286	......	Q15c	2.7	2.2	17.1
§145	F.P.	15/8	158	145	‡Beaverco 5p	150	......	u5.0	2.4	4.7	11.9
‡‡	F.P.	—	53	41	Bertrams Inv. Tst	45	......	—	—	—	—
§37½	F.P.	25/7	43½	38	‡Bipel 5p	43	+½	R1.23	3.1	4.0	10.8
125	F.P.	8/8	147	128	‡Borland Intl. Inc	144	−1	u02c	1.4	0.9	20.1
§63	F.P.	6/8	69	61½	‡Camatech 10p	65	......	R2.0	2.4	4.3	13.3
§110	F.P.	18/7	115	85	‡C'bell & Armstrong 5p	98	......	u3.91	1.9	5.6	12.5
§125	F.P.	7/8	135	128	‡Chelsea Man 5p	128	......	L2.2	2.8	2.4	21.1
100	F.P.	—	85	84	Child Med C.(TE)‡‡	85	......	—	—	—	—
‡‡	F.P.	18/7	110	85	Clarkson (Horace)	100	......	L4.75	1.5	6.7	13.7
¶¶	F.P.	—	100	57	Clayform Warrants	58	−2	—	—	—	—
§84	F.P.	1/8	91	84	‡Coated Electrodes 5p	90	......	u3.9	1.6	6.1	14.0
§110	F.P.	—	113	111	‡Colline Int 5p	111	......	R2.7	3.4	3.4	12.2
§70	F.P.	22/8	74	71	‡Fletcher Dent's S. 5p	74	......	L2.5	1.9	4.8	15.7
210	F.P.	—	203	191	G. T. Management 1p	203	......	R3.0	3.4	2.1	17.1
150	F.P.	25/7	164	150	Guthrie Corp	164	+10	u5.3	2.2	4.6	10.5
150	F.P.	15/8	162	156	Harrison Inds. 10p	156	......	g5.0	2.7	4.5	11.7
§92	F.P.	28/8	95	87	‡Hille Ergonom 10p	95	......	L2.0	3.1	3.0	12.8
§20	F.P.	15/8	25	21½	‡Hughes Food 5p	25	+½	R0.5	2.8	2.8	18.0
—	F.P.	—	£37	£36	JF Pacific Warrant S.A.	36½	......	—	—	—	—
R30	Nil	—	325	180	Joel (H.J.) Ltd Units	180	......	—	—	—	—
§154	F.P.	13/8	159	157	Kleinwort Dev. Fnd	158	......	—	—	—	—
100	F.P.	15/8	90	85	‡M6 Cash & Carry	87	......	u3.55	2.1	5.7	9.7
§500	F.P.	29/8	516	427	Morgan Grenfell £1	432	−3	L8.5	—	2.8	—
§33	F.P.	—	34	33	‡Omnitech 1p	33	......	—	—	—	—
§120	F.P.	29/8	120	110	‡Per. Computers 5p	110	......	R5.0	3.3	5.8	11.2
§113	F.P.	29/8	114	112	St. David's Inv. Tst. Inc.	112	......	H6.8	—	8.6	—
§75	F.P.	29/8	77	75	Do Cap.	76	......	—	—	—	—
§72	F.P.	15/8	160	99	‡Shield Group 5p	140	......	L2.0	3.1	2.0	20.4
§165	F.P.	1/8	184	160	‡Smallbone 10p	160	......	u5.0	2.1	4.4	14.9
—	F.P.	—	65	43	Smith Newcourt War'ts	65	+7	—	—	—	—
§40	F.P.	31/7	42	35	‡Soundtracs 5p	37	......	61.2	2.8	4.6	11.0
§98	F.P.	6/8	106	98	‡Space Planning 10p	100	......	R1.8	3.4	2.5	16.3
§110	F.P.	28/8	125	119	Stanley Leisure	122	......	u3.25	2.8	3.8	13.5
130	F.P.	21/8	153	137	‡TV-am 10p	151	+1	R5.75	2.6	5.4	10.1
§95	F.P.	25/7	114	104	‡Task Force 5p	107	−3	R1.78	3.8	2.3	15.8
112	F.P.	8/8	134	116	Tenby 50p	133	−1	u4.0	2.6	4.2	10.3
190	F.P.	1/8	242	219	Thames TV	224	......	49.5	1.9	6.0	12.6
120	F.P.	6/8	130	100	Tibbet & Britten 5p	129	+4	R3.5	2.6	3.8	14.4
§63	F.P.	22/8	68	66	Unilock 20p	67	......	1.98	2.7	4.2	12.7
‡‡	F.P.	—	160	152	VSEL Consortium £1	155	......	W5.68	4.3	5.2	4.9
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	100	......	—	—	—	—
106	F.P.	22/8	112	107	Wiedsmoor 5p	107	......	u3.25	2.3	4.3	14.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

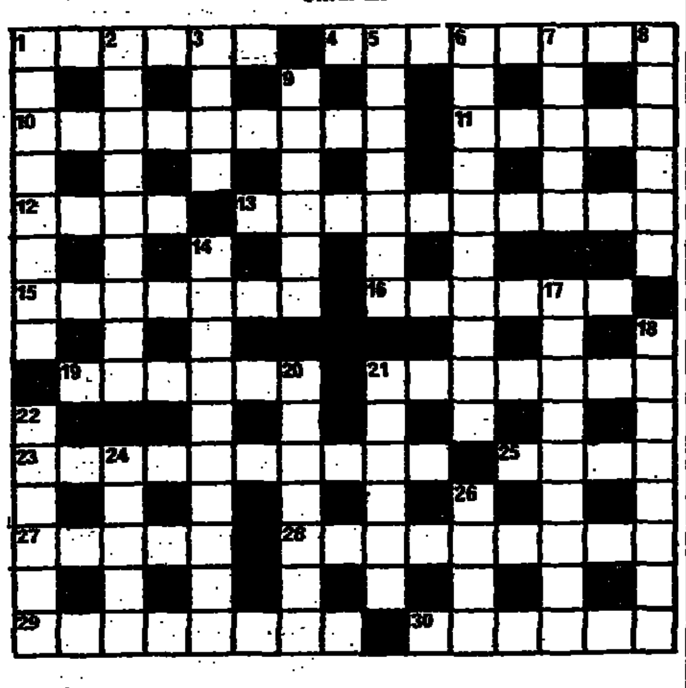
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FT CROSSWORD PUZZLE No. 6091

ORIGAMI



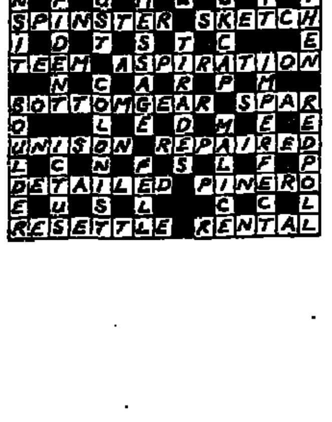
ACROSS

1 Prosecute surrounding army with cross cricketers (6)
4 Don't swim free style when in doubt (3,5)
10 Cricketers in central home counties and one short of a team (9)
11 Ulster and German river (5)
12 E type of vehicle returns for competition (4)
13 Mooch around northern capital looking all blue (10)
15 Descriptive remark like core, in aid of drivers reversing (7)
16 Condescend about point of plan (6)
19 Rotten dowsers find presents (6)
21 Manager backed film set in sketches (7)
23 Shifted dune when surrounding desert is populated (10)
25 Ring back for typists (4)
27 Country style a hit, number one! (5)
28 Telephone dialogues (9)
29 Manuscript about vernal break in Worcestershire (8)
30 Polishes direction in throws (6)

DOWN

1 Doctors back terse exchange with cricketers (8)
2 A letter on education with a censored line of Don Juan (9)
3 Meals from wheels (4)
5 Us ten crossing over the Irish Sea (7)
6 Footballers united island and town (10)
7 Emperor receives great man (5)
8 Vehicle for cricketers (6)
9 A gigolo got out of corset (6)
14 Right ship shore bungle around Shrewsbury (10)
17 Cricketers play with moral gang (9)
18 Shows passion is about soiled change (8)
20 Go faster operator (7)
21 Smell of southern fish (6)
22 Rum had revolutionised university (6)
24 March is a bore (5)
26 City has links with the wash (4)

Solution to Puzzle No 6,090



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst.	63.2	68.0	+0.6	1.7
Far East & Gn Tst.	103.5	110.2	+0.5	0.9
Intl. Growth Tst	69.8	74.3	+0.6	0.7
Income Tst.	82.3	88.5		5.6
Japan Growth Tst	125.3	134.8	+1.3	0.2
Small Cos. Tst	109.0	117.2	+0.1	2.0
Tchnlgy Tst.	33.3	35.8	+0.5	0.2
Australia Trust	35.1	37.7		2.1
UK Trust	127.1	135.3		2.7
European Growth Tst	53.5	57.0	+1.7	1.1
Hong Kong Tst.	23.6	25.2	+0.6	1.6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	17.2	18.3	+0.4	0.15
Pacific Basin	13.0	13.8	+0.3	0.2
Canadian Balncd Grwth	56.9	60.8	+0.5	0.98
Ginnie Mae	101.3	105.6	...	7.2

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smlr Co's (z)	56.0	57.6	+0.2	1.50
British Growth (z)	66.0	67.9	+0.1	2.00
British Income (z)	64.4	66.2	+0.1	5.00
British Extra Yield(z)	50.7	52.1	-0.1	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.5	68.4	...	0.00
U.S. Govmt Bond F	50.507	0.509	...	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Comtbl & Equity Tst.	47.6	50.7	+0.1	7.83
Growth Trust	50.1	53.3	+0.1	2.28
Income Trust	52.3	55.7	-0.2	5.26

Wright Seligman Fund Managers Ltd
12 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.1	70.6	...	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge. Huddersfield 0484 602250

Y.G.T.	122.4	130.2	-0.2	3.49

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy July 11		107.4	...	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser 1	206.1	217.0		—
Equity Ser. 1	98.6	103.8	+0.3	—
Prop. Acc. Ser 2	277.4	292.0		—
Equity Ser 2	107.1	112.8	+0.2	—
Selective Acc.	239.3	248.6	+0.3	—
Prop. Ser. 4	218.9	230.5		—
Equity Ser 4	110.9	116.8	+0.3	—
Fixed Int. Ser. 4	189.1	199.1	-0.1	—
Indexed Inv. Ser. 4	114.2	120.3	-0.1	—
American Ser. 4	249.1	262.3	-0.1	—
High Inc. Ser 4	279.2	293.9	-0.7	—
Japan Ser 4	245.6	258.6	+1.6	—
Man. Ser 4	348.4	366.8	+0.6	—
Money Ser. 4	194.5	204.8		—
European Ser 4	117.8	124.1	+1.0	—
Pension Funds				
Property	355.3	374.1		—
Equity	745.9	785.2	+2.5	—
Selective	246.1	259.1	+0.2	—
Managed	612.0	644.3	+1.6	—
Security	335.0	352.7		—
Fixed Int.	201.2	211.8	-0.2	—
European	185.9	195.7	+1.8	—
American	205.9	216.8	...	—
Japan	257.0	270.6	+2.2	—

Aetna Life Insurance Co Ltd
403 St John St, London EC1V 4QE 01-833 2303

Cannon Assurance Ltd—Continued

Index	112.0	117.5		—
Far East	179.4	189.0	-0.5	—
Global	94.8	100.3	+0.4	—
European	98.5	104.2	+0.3	—
Japan	109.5	115.9		—
2nd Series Pension Accumulation				
Equity	476.5	504.2	+2.0	—
High Income	315.7	334.1	+1.3	—
Property	281.5	297.9		—
Managed	334.6	354.1	+0.3	—
Deposit	252.2	265.8	+0.1	—
Gilt	253.3	268.0	-1.0	—
American	376.1	398.0	-0.2	—
International Money	278.3	294.5	+1.8	—
Index	122.4	128.5		—
Far East	195.0	206.3	-0.6	—
Global	94.9	100.4	+0.4	—
European	99.5	105.3	+0.4	—
Japan	113.4	120.0		—
Other Funds				
Equity Units		64.79	+0.24	—
Property Units		21.35		—
Equity Bond/Exec	40.53	47.89	+0.15	—
Property Bond/Exec	28.80	30.48		—
Balanced Bond/Exec	33.12	35.05	+0.03	—
L&E SJF 1	108.5	115.0	+0.5	—
L&E SJF 2	71.0	75.0	...	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	100.0	106.0	...	—
Risk & Reward Bond	116.0	123.0	...	—
Murray Johnstone Fd	116.0	123.0	...	—
Money Market Fd	100.0	106.0	...	—
Ivory & Sime Pens Fd	96.0	102.0	...	—
Risk & Reward Pens Fd	98.0	104.0	...	—
Murray J'stone Pens Fd	114.0	120.0	...	—
Money Market Pens Fd	100.0	106.0	...	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	111.2	117.1	...	—
Money Fund	220.3	231.9	...	—
Managed Fund	399.5	420.6	-2.8	—
Equity Fund	248.2	261.3	-0.9	—
Fixed Interest Fund	149.5	157.4	-0.2	—
Far East Fund	207.8	218.8	-1.2	—
North American Fund	169.0	177.9	-6.3	—
Natural Resources Fund	119.4	125.7	-1.1	—
Pension Managed Fund	370.6	390.2	-1.1	—
Pension Equity Fund	233.3	245.6	-1.1	—
Adventurous Mngd Fd	100.0	105.3	...	—
Balanced Mngd Fd	100.0	105.3	...	—
Conservative Mngd Fd	100.0	105.3	...	—
European Fund	100.0	105.3	...	—
International Fund	100.0	105.3	...	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	129.9	136.8	-0.1	—
Equity	146.4	154.2	-0.2	—
Property	108.2	113.9		—
Gilt & Fixed Interest	116.0	122.1	-0.1	—
Indexed Securities	100.3	105.6	...	—
Cash	106.8	112.5	...	—
North American	104.7	110.3	-0.8	—
Far East	129.2	136.0	+0.3	—
International	121.4	127.9	-0.1	—
Special Situations	143.6	151.2	+0.6	—
International Income	135.9	143.1	+0.1	—
American Income	111.5	117.5	-1.2	—
European	140.3	147.7	+1.4	—
Flexible Retirement Plan				
Mixed	133.5	140.6	+0.2	—
Equity	141.0	148.5	-0.2	—
Property	112.5	118.5	+0.1	—
Gilt & Fixed Interest	121.5	127.9	-0.4	—
Indexed Linked	102.9	108.4		—
Cash	114.5	120.6	+0.1	—
North American	109.8	115.6	+0.3	—
Far East	145.0	152.7	+0.6	—
International	129.0	135.8	+0.6	—
Special Situations	161.8	170.4	+0.9	—
European	157.6	166.0	+2.3	—
Executive Investment Pension Plan				
Prices on July 30. Unit dealings on Wednesday				
Cash Fd.	137.3	144.6	...	—
Mixed Fd.	186.8	196.7	...	—
Fixed Int. Fd.	151.8	159.8	...	—
UK Equity Fd	215.5	226.9	...	—
Property Fd	130.8	137.7	...	—
Overseas Fd.	182.3	191.9	...	—
Index Linked Fd	109.3	115.1	...	—
Stock Ex. Fd	151.1	159.1	...	—
North Am Fd	115.0	121.1	...	—

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

Eagle/Mid Units	151.6	157.3	4.36

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP 01-606 6611

Far Eastern	150.8	158.7	-0.7	—
Fd of Inv Tsts	118.8	125.0	+0.1	—
Gilt & Fixed Int.	115.7	121.8	-0.2	—
High Income	146.7	154.4	-0.3	—
Intnl Growth	99.6	104.8	+0.8	—
Managed	125.0	131.6	-0.1	—
Money	106.0	111.6		—
North American	116.1	122.2	+0.9	—
Pelican	134.0	141.0	-0.2	—
Property	105.2	110.7		—
Special Sits	142.2	149.6	-0.4	—
School Fee Managed	134.7	141.8	-0.1	—
Pension Funds				
Far Eastern	167.0	175.8	+1.0	—
Fd. of Inv. Tsts.	123.7	130.2	+0.2	—
Gilt & Fixed Int.	120.7	127.1	-0.2	—

Henderson Administration (z)
26 Finsbury Sq, London, EC2 01-638 5757

High Income	251.5	265.5	+0.8	—
Gilt Edged	92.0	97.2	-1.4	—
Cap Growth	236.5	249.7	+1.8	—
Technology	178.4	188.3	+0.5	—
Nat. Resources	103.1	108.9	+3.3	—
Special Situations	271.2	286.3	+0.2	—
N. America	238.2	251.4	-0.5	—
Far East	332.8	351.3	-1.5	—
Managed	287.7	304.4	-0.7	—
Deposit	137.5	144.8		—
Prime Res	175.8	185.1	+0.2	—
Managed Currency	105.5	111.5		—
Global Health Care	125.4	132.4	-0.8	—
European	169.8	179.3	+0.6	—
Property	133.0	140.1		—
Japan Fund	111.8	118.0	-0.5	—
Pension Funds				
UK Equity	206.4	217.9	+0.5	—
Fixed Interest	144.7	152.8	-0.7	—
Special Sits	211.3	223.1	+0.1	—
N American	141.8	149.7	-0.4	—

London & Manchester Group
Winslade Pk, Exeter EX5 1DS 0392 52155

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

Managed	247.4	260.5		—
UK Equity	286.7	301.8	-0.8	—
Overseas Eq.	258.4	272.1	+2.5	—
American	217.4	228.9	+1.4	—
Far East	267.2	281.3	+1.5	—
Property	122.8	129.3	-0.1	—
Fixed Int.	194.4	204.7	-0.6	—
Indexed Gilt	113.0	119.0		—
Deposit	126.7	133.4		—
Pension Fund Prices				
Man. Initial	254.0	267.4	-0.1	—
Man Acc.	298.2	313.9	-0.1	—
UK Eq. Initial	274.4	288.9	-0.7	—
UK Eq	314.9	331.5	-0.7	—
Overseas Eq. Initial	309.8	326.2	+2.2	—
Overseas Eq.	377.0	396.9	+2.8	—
American Initial	231.8	244.1	+1.8	—
American	269.7	283.9	+2.2	—
Far East Initial	370.5	390.0	+2.4	—
Far East	430.6	453.3	+2.8	—
Prop. Initial	116.5	122.7	-0.1	—

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ■ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. φ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min.	2½
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	3½
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

China watches US subsidy debate

By Robert Thomson in Peking

CHINA'S appetite for cheap grain has been whetted by the US decision last week to subsidise wheat sales to the Soviet Union.

Officials in Peking say that China is unlikely to do Canada, Argentina or Australia any financial favours if US exports are offered at prices that undercut those traditional suppliers.

A full expansion of the US Export Enhancement Programme to cover China was ruled out by the White House last Friday, but domestic political pressure continues in America for further action to boost exports. Canadian and Australian diplomats in Peking fear that US subsidies could easily eat into their shares of what looked to be a lucrative market.

Total wheat exports to China amounted to 5.38m tonnes last year, of which Canada accounted for 44 per cent, Australia had 22 per cent, the US 18 per cent and Argentine 16 per cent.

Wheat accounted for 19 per cent of Australia's exports to China last year, and was worth A$241.1m. Australian diplomats have made representation to Chinese officials on the problems caused by US subsidies. The Chinese say they will give consideration.

However, even more serious consideration will be given to price, as China has been plagued by a large trade deficit and is looking for every possible means of cutting import costs.

Ironically, wheat has long been a commodity of contention between the US and China, as Peking failed to honour long-term grain agreements with aWshington in retaliation for US restrictions on Chinese textile imports. iWthout subsidies, US grain sales to China have fallen significantly in recent years. In the first three months of this year, wheat sales were worth only US$6m compared with $32.7m for the same period last year.

Although China is importing less grain since its economic reform policies have prompted a large increase in domestic production, the country's leadership has made it clear that it intends to continue importing wheat for the foreseeable future.

Grain is a sensitive political issue in China, as the more conservative leaders follow the line of the late great helmsman, Mao Tse-Tung, believed that China could only be strong if it was self-sufficient in grain.

Those conservatives can't understand why the country has to import grain if it has the potential to grow enough to satisfy the masses. But pragmatic Communist Party powerbrokers, who are in the ascendancy, believe there should be less reliance on grain and more diversified agricultural production — so they are in favour of continuing grain imports.

Between 1981 and 1985, China's wheat output increased by an annual average of 8.7 per cent, compared to 3.3 per cent for all grains, while wheat's share of total grain output has risen from 13 per cent in 1965 to 19 per cent in 1983 and 23 per cent last year.

Rain comes too late for many US farmers

BY NANCY DUNNE IN WASHINGTON

RAIN cooled parts of the sizzling south east US over the weekend, but for many American farmers, relief from the drought will have come too late to save their crops, livestock, and perhaps even their land.

The same can be said for the emergency drought assistance scheme annouced last Friday by Mr Richard Lyng, the US Agriculture Secretary. Analysts say it will be too little and too late for the farmers who were already carrying high debt loads.

"Many bankers told their farmers they would carry them one more year just to see if the 1985 farm bill would boost exports," said Mr Jeff Shipp, director of governmental relations at the US Wheat Growers Association. "But exports are down. There will be a major, major credit crisis in the autumn."

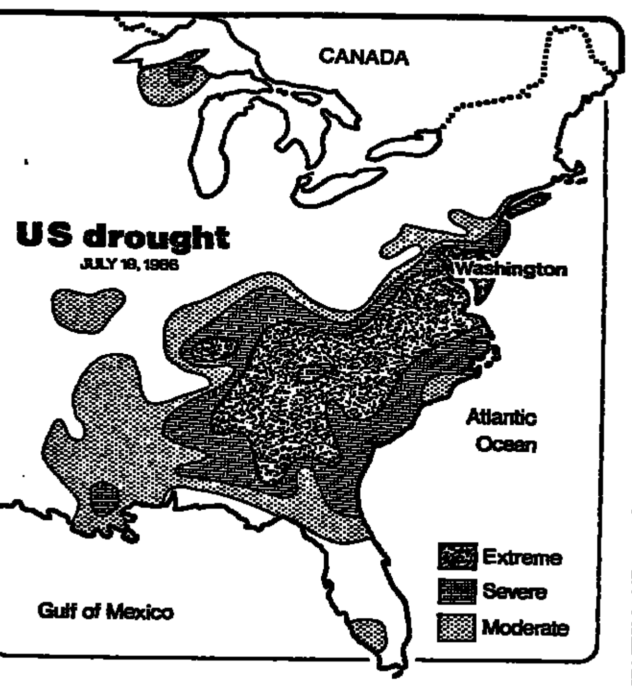
Ever mindful of the coming elections, the Administration has ordered a speed-up of all drought relief, and Mr Lyng announced on Friday that the Usda would subsidise sales of 4m tonnes of wheat to the Soviet Union. However, the Usda budget has been stretched beyond all expectations, and the department can afford little beyond schemes which dispose of the abundance of government surplus stocks.

The Usda has offered low-interest, emergency loans to farmers who cannot get credit elsewhere. But this, according to Mr Remy Jurenas, an analyst with the Congressional Research Service, just continues the Administration's policy of "piling debt upon debt upon debt."

"These farmers don't need more loans. They need direct assistance," said Mr Shipp.

Under a special feed cost-sharing programme, the Usda will pay up to 50 per cent of the cost of livestock feed. Some farmers, however. will be unable to pay the other 50 per cent.

Those farmers with the least cash flow difficulties are expected to benefit most from the $500m worth of subsidies paid in the form of generic certificates for government-owned commodities. However, only those farmers that signed up for government price support programmes will be eligible for these advance deficiency payments.



The limited help provided by the government is being supplemented by an unprecedented, massive private effort. Thousands of tonnes of hay cut by farmers in 39 states have been sent into the drought area cost free.

Although scattered showers eased the spreading drought area in the last week, crops in parts of the south are still under stress—particularly the soyabeans. The National Oceanic and Atmospheric Administration said that extreme dryness has begun to affect a portion of central Wyoming as well as the normally arid region where the borders of California, Nevada and Arizona meet. Lower water supplies have been reported in north eastern Oregon, eastern Colorado, western Kansas and at the border of Wisconsin and Michigan's upper peninsular.

A long-range forecast for August anticipates below normal rainfall for the Carolinas and northe eastern Georgia, already among the most hard-hit areas.

With the drought has come increased worry about the health of the major farm lenders—the government's farm home loan administration and the private Farm Credit System.

According to Mr Shipp, the FHLA "will have a real mess on its hands in January when large numbers of farmers will be unable to repay their loans. The Farm Credit system, he said, while temporarily rescued last year with promises of government assistance, may have to ask the Treasury for money by the fourth quarter of the ear.

Congress, however, is to adjourn early for the November election. The emergency might be such, that the president will have to call Congress back for a special session, Mr Shipp said.

Grain and soya under pressure

BY DAVID OWEN IN CHICAGO

GRAIN and soyabean futures prices came under pressure yesterday on the Chicago Board of Trade in reaction to some limited rainfall in the drought-stricken south-eastern states and Friday's news that subsidised grain sales to the Soviet Union would for the moment be restricted to wheat.

By mid-morning, maize was trading some 4 cents below Friday's close, at around $1.64½ per bushel for September delivery — close to contract lows. —but closed at $1.64. Meanwhile, September soyabeans closed at $4.90 a bushel after opening 12c to 14c below Friday's $4.99 close. December wheat, by contrast, closed at $2.64, 1½c below Friday's close.

Analysts are now moderately bearish in the short term about all three commodities, particularly maize, which was also hit by the USDA's move to broaden its relief programme to farmers in the south-east.

Friday's decision to pick up a portion of affected farmers' livestock feed costs was interpreted bearishly, analysts explained, because it will release grain previously expected to be tied up in government warehouses. Farmers will receive generic commodity certificates, but are expected to exchange them predominantly for maize, the principal animal feed crop. "We expect the move to reduce cash needs for maize," confirmed Mr Steve Freed, a Chicago-based analyst with Dean Witter Reynolds.

While the decision to offer subsidised wheat to the Soviet Union may, in the long run, be supportive for domestic wheat prices, short-term players were disappointed both that the subsidies did not extend to other crops and that other countries—specifically China—were not included. "The trade was anticipating across-the-board subsidies to all countries," according to Mr Eli Frymire, an analyst with Stotler & Co.

Should the Soviet Union decide to take advantage of the new terms to purchase the 4m tonnes of US wheat it has agreed to take in the marketing year that ends on September 30, analysts expect prices to rise more on the Kansas City Board of Trade's hard red wheat contract than on the CBoT's soft reds. This is due to the Soviet's anticipated preference for hard red wheats.

While the weekend moisture in the south-eastern states was characterised by analysts as "no drought breaker," it appears to have dampened sentiment considerably for soyabeans, the dominant crop in the region. "Beans can recover very quickly," cautioned Stotler's Mr Frymire. "We would need another two weeks of drought to ruin the crop there."

Estimates of weather-related losses range from 100m to 190m bushels out of a projected US crop of 1,900m. However, growing conditions in the midwest cornbelt, where yields are, in any case, much higher, have been so good that, Shearson's Mr Robert Lekberg anticipates that the next official crop estimate, scheduled for August 12, may result on projections actually being increased from the 1,900m bushel level.

Ultimately, much depends on the weather, both in the south-east and the grain belt itself over the next two weeks. "If it rains," one analyst concluded, "the November soyabean contract low of $4.79½ could be tested."

When sheepfarmers gather . . .

FARMER'S VIEWPOINT

By John Cherrington

THE BIENNIAL national sheep event held last week at the three counties showground at Malvern is becoming increasingly popular with sheep farmers—a sector of the industry which feels itself to have been neglected by the rush of progress in the arable, dairying and pig poultry sides of farming. This is a natural response, because if ever an animal did not lend itself to intensification, it is the sheep.

As one farmer at the event said to me, sheep are the last piece of real farming left to us: they need careful shepherding and handling and are not to be drugged into conformity by an array of medicaments.

I have much the same feeling myself, although to claim that they can be persuaded to perform without an array of modern drugs and prophylactics is rather stretching it. I keep quite a few sheep, and I must say that they do need more of the old farming skills of observation and stock sense than some other livestock.

In spite of heavy rain which turned the ground to mud there was good attendance at the show because the rain brought farmers away from hay and barley harvest and there was plenty to see and talk about. For discussion purposes the event is a much better forum than the traditional summer show. Those attending have come to discuss their trade with others without the distractions of horse jumping, parachutists and massed bands with which the normal shows try to attract the customers. Sheep farmers don't wish to be distracted.

In dress they are remarkably uniform, green anoraks and wellies, tweed hats and the occasional long walking stick used not as a crook but to lean on when watching one's sheep or talking. They also have a particularly distant look in their eyes even when talking, as if their minds are on other things.

There was a lot of talk about. The effects of Chernobyl still influence much of our thinking. Some farmers in the lower lying areas of the affected districts who had early lambs to sell are still restricted and are demanding compensation, about which the Government has been making encouraging noises.

Should this be overrun and the lambs be kept at home, they have to face lower prices and the danger of being graded over-fat when sold, which would entail losing the variable premium, the deficiency payment which supports the guaranteed price. Last week the premium was 51p a kilo—a quarter of the value of the lamb.

A great many of those sheepfarmers I spoke to were very worried about this, some because they came from areas still restricted and others because of the effects of radiation on existing stocks of breeding sheep still in those areas and elsewhere. In a few weeks' time very large numbers of sheep are going to be sold from the hills for fattening or for breeding. They have been radiated, as have those which have been slaughtered for testing. Will it be the effect on the lives of these sheep? No one I spoke to seemed to have any authoritative answer, and it is a matter to which the ministry should pay attention.

Of course, the season was discussed and it was generally agreed that the spring of 1986 had been one of the most difficult for sheep farmers, with one of the worst lamb survival rates, for a long time. This made me feel a lot better because I had a nasty suspicion that the fact that I had had a bad period then was due to my own inefficiency.

The picture of a difficult spring is borne out by the slaughter figures for lambs for the first six months of 1986, which showed a drop of nearly 0.5m or 10 per cent for the same period last year. There were lamb losses in the spring and, of course, there was the Chernobyl factor—although its impact is only just beginning to be felt.

The sheep event is not a show as such, although there were examples of the many breeds and crosses now available to farmers. When I was a boy there were 25; now there are at least 80—not only from Britain, but a whole host of foreigners as well.

Very few British lambs are pure bred. Most are born to cross-bred or hybrid use by a so-called terminal sire of one of the meat breeds. Cross breeding brings benefits to the progeny, both from the effects of hybrid vigour and also from the change of environment involved in bringing the breeding ewes down from the hills and mountains to the easier lowlands.

This was puzzling a party of Normandy farmers who were wandering around the show. They were, they told me, seeking to improve their sheep production because with milk quotas they had spare grass which they wanted to use properly.

Why, they asked me, do you not breed your rams pure instead of all this confusing cross-breeding?

A good question, but I am not going to tell our competitors why. Let them find out the hard way, as we had to.

LONDON MARKETS

ZINC PRICES dropped sharply in late trading on the London Metal Exchange yesterday, as a burst of commission house selling met little buying interest. The cash price dropped £10 on the day to close at £532 a tonne, while three-month values slid by £11.25 to £534.75. Bearish sentiment was fuelled by a 1,900 tonne increase in LME warehouse stocks, which prompted selling that was only briefly interrupted by chart buying. On the London Commodity Exchange, cocoa futures ended with pared gains after a buoyant day's trading which saw values rise to fresh three-and-a-half months. December cocoa ended at £1,461.50 a tonne, up £4. The afternoon's decline was fuelled by New York's easier trend and hedge selling against renewed physical sales—particularly by Cameroun and Nigeria. Robusta coffee futures were mixed, with the December contract down £21 at £1,721. LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

DOW JONES

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

ALUMINIUM

COPPER

LEAD

NICKEL

TIN

ZINC

GOLD

SILVER

COCOA

COFFEE

SOYABEAN MEAL

GRAINS

TEA

POTATOES

MEAT

US MARKETS

OIL MARKETS enjoyed a strong rally in both the crudes and products, reports Heinold. Rumours of an initiative by Saudi Arabia and Iran for Opec to return to the output ceiling structure of 1984 (at under 17m bpd) had caused a change of fortunes following a weak start in London, and the spillover buying interest (attributable, to a great extent, to the covering of short positions) led to limit-up movements in the deferred crude and heating oil contracts, whilst the limitless September crude position approached the closed with gains of $1.75. The New York coffee market again lost ground, but on a much more moderate scale than witnessed in the previous week. Losses of over 2.5c per pound were registered in the leading September position.

NEW YORK

CHICAGO

RUBBER

SUGAR

OIL

FREIGHT FUTURES

GAS OIL FUTURES

COTTON

LONDON METAL EXCHANGE WAREHOUSE STOCKS

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling weak on oil fears

Sterling fell sharply on the foreign exchanges yesterday, and selling of the pound against the D-mark tended to drag the dollar down. Kuwait's offer to cut its oil production by 45 per cent, to preserve the unity of the Organisation of Petroleum Exporting Countries, helped steady the pound in the afternoon, but only after sterling had suffered considerable losses against Continental currencies and the dollar. North Sea oil prices also stabilised during the afternoon after a volatile morning. Nervousness surrounding oil prices and the pound was the result of growing doubts that Opec ministers meeting in Geneva would manage to agree cuts in total oil production sufficient to prevent a further fall in prices.

Sterling fell 1.45 cents to $1.4705-1.4715, the lowest closing level since April 10. The pound also fell to a record low of DM 3.0650 from DM 3.0950; to FFr 9.9575 from FFr 10.0750; to SFr 2.4650 from SFr 2.48; and to Y226.50 from Y228.50. The pound's exchange rate index closed 1.0 lower at the day's low of 70.7, the weakest since March 6 last year.

Sterling's decline meant that part of the Irish punt's 8 per cent devaluation was very soon wiped out, while the punt remained only slightly above the Danish krone, near the bottom of the EMS.

After an early setback, prompted by the weakness of sterling, the dollar recovered to finish little changed on the day. The US currency had been under pressure earlier in Tokyo, but had then recovered on intervention by the Bank of Japan. The dollar maintained a soft undertone, although a lack of economic news or other new factors enabled the currency to edge higher towards the London close.

The dollar closed unchanged at DM 2.0835, and rose to Y154.05 from Y153.75 and to SFr 1.6765 from SFr 1.6690, but fell to FFr 6.77 from FFr 6.7925.

On Bank of England figures the dollar's index was unchanged at 111.2.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0835. July average 2.1521. Exchange rate index 138.8 against 132.1 six months ago.

The D-Mark remained very strong in Fhankfurt yesterday, with dealers reporting heavy selling of sterling against the German currency. As sterling fell to another record low against the D-Mark, on lack of confidence that Opec ministers would reach any firm agreement to cut oil production quotas, the dollar was also pulled lower. The pound was fixed at a record low of DM 3.0650 in Frankfurt, compared with DM 3.1070 on Friday. The Bundesbank did not intervene when the dollar was fixed at DM 2.0801, against DM 2.0834 previously.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.75. July average 158.61. Exchange rate index 219.2 against 184.7 six months ago.

The yen was little changed on balance against the dollar in Tokyo yesterday, but only after fairly heavy intervention by the Bank of Japan to prop up the US currency. In early trading the dollar fell to a record trading low of Y152.80, but recovered on short covering as the central bank bought dollars at various levels up to the close of Y154.00, compared with Y154.10 on Friday.

£ IN NEW YORK

Aug 4	Latest	Prev. close
Spot	$1.4720-1.4730	$1.4770-1.4780
1 month	0.44-0.42 pm	0.45-0.43 pm
3 months	1.28-1.24 pm	1.30-1.27 pm
12 months	4.50-4.40 pm	4.58-4.48 pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

Aug 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4655-1.4830	1.4705-1.4815	0.49-0.46c pm	3.87	1.31-1.28pm	3.52
Canada	2.0266-2.0419	2.0336-2.0345	0.36-0.26c pm	1.83	0.72-0.60pm	1.30
Nethlnd.	3.43-3.46½	3.45-3.46	[illegible]	4.78	[illegible]	4.34
Belgium	62.96-63.77	63.30-63.40	19-13c pm	3.03	45-37pm	2.59
Denmark	[illegible]	[illegible]	[illegible]	1.56	[illegible]	1.22
Ireland	1.0800-1.1250	1.0960-1.0970	par-0.15p dis	−0.82	Par-0.25dis	−0.48
W. Ger.	[illegible]	3.06-3.07	[illegible]	5.87	[illegible]	5.22
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−5.86
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−3.12
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−1.14
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−4.73
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.37
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.49
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.30
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.68
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.27

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Aug 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.52
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−2.24
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.90
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.93
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−2.33
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.76
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−9.29
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−6.21
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−4.69
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−8.32
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.92
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−3.07
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.71
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.16
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.81

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Above average activity was noted in the following stocks yesterday

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000; French Fr per 10; Lira per 1,000; Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

August 4	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9⅞-10
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11-11½
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 7-7⅛ per cent; three years 7⅛-7⅜ per cent; four years 7⅜-7⅝ per cent; five years 7⅝-7⅞ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others, two days' notice.

CURRENCY MOVEMENTS

August 4	Bank of England Index	Morgan Guaranty Change %
Sterling	70.7	−21.4
U.S. Dollar	111.2	+2.5
Canadian Dollar	77.8	−12.5
Austrian Schilling	130.2	+7.9
Belgian Franc	96.1	−6.8
Danish Kroner	87.9	+0.2
Deutsche Mark	138.8	+17.2
Swiss Franc	166.0	+22.6
Guilder	128.7	+11.6
French Franc	69.6	−13.5
Lira	47.4	−16.3
Yen	219.2	+62.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Aug. 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.818250	0.689486
US $	5	1.20520	1.01527
Canadian $	8.63	*	1.40330
Austria Sch	4	17.6321	14.8331
Belgian Fr	8	51.9080	43.6337
Danish Kr	7	9.43973	7.93330
D'mark	3½	2.50694	2.10668
Guilder	4½	2.82439	2.37461
French Fr	9½	NA	6.84900
Lira	12	NA	1449.29
Yen	3½	184.637	155.742
Norway Kr	8	8.91848	7.50150
Span'h Pta	—	162.823	136.960
Swedish Kr	8	NA	7.06474
Swiss Fr	4	2.01208	1.69194
Greek Drch	20½	162.943	137.254
Irish Punt	—	NA	0.759362

* C$/SDR rate for August 1: 1.66626.

OTHER CURRENCIES

Aug. 4	£	$
Arg'tina	1.3495-1.3520	0.9200-0.9210
Aus'ala	2.4305-2.4340	1.6585-1.6605
Brazil	20.20-20.32	13.77-13.84
Finland	7.3105-7.3230	4.9740-4.9760
Greece	197.98-201.42	134.02-136.28
H'kong	11.5115-11.5310	7.7950-7.7980
Iran	113.80*	76.60*
Kuwait	0.4245-0.4255	0.28845-0.28885
Lux'burg	63.30-63.40	43.00-43.10
Malaysia	3.8105-3.8335	2.5975-2.6025
N'Z'land	2.8145-2.8220	1.9230-1.9285
Saudi Ar.	5.5015-5.5060	3.7515-3.7580
Sin'pore	3.2030-3.2105	2.1690-2.1710
SAf (Cm)	3.7215-3.7520	2.5510-2.5575
S.Af.(Fn)	7.4335-7.6295	5.0635-5.3335
U.A.E.	5.3855-5.3910	3.6725-3.6735

* Selling rate.

FINANCIAL FUTURES

Gilts rally

Long gilt futures recovered from a weak opening on the London International Financial Futures Exchange, to close at the day's peak of 119-26 for September delivery, compared with 119-19 on Friday. The contract opened at 119-03, depressed by the weakness of sterling on the foreign exchanges and by the lower start of US Treasury bond futures. The contract touched a new low of 119-00, but then rallied on short covering, as dealers generally expected today's UK money supply figures to be much improved, with some forecasters suggesting a fall in sterling M3.

US Treasury bonds were dull, but finished below Friday's settlement. The market in bonds was nervous ahead of this week's auction of $28bn in three-year, 10-year and 30-year paper by the US Treasury in its quarterly refunding programme. The auction will begin with three-year notes today, and there is reasonable hope of success for this shorter dated paper, but overall dealers are concerned about the level of Japanese investor support at the auctions. September Treasury bonds opened at 97-10, the day's high, and touched a low of 96-19, before closing at 97-05, compared with 97-19 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

[illegible]

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	93.54	93.55	93.50	93.54
Dec	93.53	93.55	93.50	93.54
March	93.44	93.45	93.41	93.44
June	93.24	93.26	93.21	93.24
Sept	93.00	93.00	92.96	92.98
Dec	92.73	92.74	92.70	92.72
March	92.49	92.49	92.44	92.47
June	92.24	92.24	92.19	92.22

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	156.65	[illegible]	[illegible]	[illegible]
Dec	159.50	[illegible]	[illegible]	[illegible]
March	162.00	[illegible]	[illegible]	[illegible]

Est. volume 359 ([illegible]). Previous day's open int. [illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING Se per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

STERLING INDEX

	Aug 1	Previous
8.30 am	71.2	71.9
9.00 am	71.4	71.9
10.00 am	71.2	71.9
11.00 am	71.2	71.9
Noon	71.0	71.7
1.00 pm	71.0	71.8
2.00 pm	70.8	71.8
3.00 pm	70.8	71.8
4.00 pm	70.7	71.7

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.6337	—	—	±1.5388
Danish Krone	7.81701	7.93330	—	—	±1.6408
German D-mark	2.11083	2.10688	—	—	±1.1202
French Franc	6.87316	6.84900	—	—	±1.3701
Dutch Guilder	2.37853	2.37461	—	—	±1.5081
Irish Punt	0.764976	0.759362	—	—	±1.6669
Italian Lira	1476.95	1449.29	—	—	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

Bundesbank signals no change

The West German Bundesbank indicated there will be no early change in interest rates, by the terms set for new securities repurchase agreements. Yesterday's tender the central bank will accept bids for a 28-day agreement at a fixed rate of 4.35 per cent and a 63-day agreement at a rate of 4.40 per cent. This was taken to mean the Bundesbank continues to steer a steady course on rates in spite of the strength of the D-Mark on the foreign exchanges and in spite of recent calls from the US for countries such as West Germany to expand economic growth. The West German authorities remain concerned about money supply growth, which rose to 7 per cent from 6.5 per cent in July, compared with a target range of 3.5 to 5.5 per cent.

At the tender the Bundesbank is expected to fully replace the DM 12.8bn flowing out of the money market tomorrow, as two earlier repurchase agreements expire. Another opportunity for the central bank to show its attitude towards interest rates will be next week, when a DM 14.5bn agreement runs out.

In London the further weakening of sterling had little impact on money market rates. Three-month interbank closed unchanged at 9 11/16-10 per cent.

Today's UK money supply figures are expected to be an improvement on recent months, but the pound's position precludes any downward move on rates at present.

UK clearing bank base lending rate 10 per cent since May 22

The Bank of England forecast a money market shortage of £500m initially, but revised this to £450m in the afternoon, and supplied total assistance of £367m.

Before lunch the authorities bought £165m bills outright, by way of £2m bank bills in band 2 at 9 13/16 per cent; £18m bank bills in band 3 at 9¾ per cent; £14m local authority bills in band 4 and £131m bank bills in band 4 at 9 11/16 per cent.

In the afternoon another £192m bills were purchased outright, through £27m local authority bills in band 1 and £32m bank bills in band 1 at 9⅞ per cent; £65m bank bills in band 2 at 9 13/16 per cent; £8m bank bills in band 3 at 9¾ per cent; £4m local authority bills and £22m bank bills in band 4 at 9 11/16 per cent.

Late assistance of £10m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £900m, with bank balances below target absorbing £40m. These outweighed Exchequer transactions adding £200m to liquidity and a fall in the note circulation of £335m.

NEW YORK RATES (Lunchtime)

[illegible]

MONEY RATES

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. August 4)

Three months US dollars		Six months US dollars	
bid 6⅝	offer 6¾	bid 6⅝	offer 6¾

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

August 4	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt. Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one month 9¾ per cent; three months 9¾ per cent. Bank Bills (sell): one month 9⅞ per cent; three months 9 11/16 per cent. Treasury Bills: Average tender rate of discount 9.5021 per cent. ECGD Fixed Finance Scheme IV reference rate June 4 to July 1 (inclusive): 9.826 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from August 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 10 per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 10 per cent from July 16. Deposits held under Series 5 10 per cent. Deposits withdrawn for cash 5½ per cent.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on August 4, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	[illegible]
Albania	Lek	[illegible]
Algeria	Dinar	[illegible]
[illegible]	[illegible]	[illegible]
Ghana	Cedi	132.93
Gibraltar	Gibraltar £	1.0
Greece	Drachma	199.70
Greenland	Danish Krone	11.5175
Grenada	E. Caribbean $	3.98
Guadeloupe	Local Franc	9.9575
Guam	U.S. $	1.4710
Guatemala	Quetzal	1.4710
[illegible]	[illegible]	[illegible]
Panama	Balboa	1.4710
Papua New Guinea	Kina	1.4382
Paraguay	Guarani	352.20 (10); 975.89
Peru	Intl	exc(A)20.46
Philippines	Philippine Peso	29.48
Pitcairn Islands	£ Sterling; New Zealand $	—; 2.8183
[illegible]	[illegible]	[illegible]

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102¾	100¼	Exch. 14pc 1986	100¼	−⅛	13.89	9.94
98½	95⅞	Exch. 2½pc 1986	98⅝	−⅛	2.54	7.17
102½	100⅞	Exch. 13¼pc 1987	101⅛	....	13.05	9.72
100⅞	97⅞	Treas 10¼pcCv '87	100⅛	.....	10.23	9.80
97⅞	92½	Exch 2½pc 1987	97⅛	−⅛	2.57	7.05
101⅝	97⅞	Exch. 10½pc 1987	100⅛	−⅛	10.47	9.92
98⅝	93⅝	Funding 6½pc '85-87‡‡	98¼	−⅛	6.62	8.94
101⅛	96½	Treas. 10pc 1987	100⅛	−⅛	10.00	9.86
97⅛	90⅞	Treas 3pc 1987	96⅛	.....	3.11	7.04
104½	99⅛	Treas. 12pc 1987	102⅛	−⅛	11.73	9.83
99⅛	92½	Treas 7¾pc 1985-88‡‡	97½	−⅛	7.92	9.25
104	96⅛	Exch 10½pc '88	101	−⅛	10.40	9.83
102⅛	95⅛	Treas 9¾pc Cv '88	99⅞	−⅛	9.77	9.80
94⅛	86⅝	Transport 3pc '78-88	92⅞	−⅛	3.23	7.06
102⅛	93½	Treas. 9½pc '88	99⅛	−⅛	9.56	9.75
107⅛	98½	Treas 11½pc 1989	103½	−⅛	11.07	9.71
103½	93⅝	Treas 9½pc Cnv. '89	99⅛	−⅛	9.56	9.71
92⅞	82⅛	Treas 3pc 1989	89⅝	−⅛	3.35	7.18
105⅛	95½	Treas 10½pc 1989	101½	−⅛	10.30	9.69
104⅛	94⅛	Exch 10pc 1989	100⅛	−⅛	9.94	9.73
107⅛	97	Exch 11pc 1989	103⅛	−⅛	10.64	9.69
93⅛	84½	Treas 5pc 1986-89	91⅛	−⅛	5.48	8.11
110⅛	94⅝	Exch 10¼pcCv '89	105	−⅛	9.77	8.44

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

MINES—Continued

O.F.S.

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
230	106	Beatrix Mines1	115	+2	†Q15c	1.2	3.4
905	444	F.S. Cons. Gold 50c	477	+7	ZQ160c	—	11.8
240	95	Free State Dev. 10c	135	+5	Q15c	1.1	3.3
962	474	Harmony 50c	529	.....	Q265c	♦	13.2
410	178	Loraine R1	211	+3	Q75c	3.1	9.3
987	586	St. Helena R1	600	+9	Q450c	1.9	19.6
569	313	Unisel	362	–2	†Q150c	1.1	10.8
523	289	Welkom Gold Hldgs 50c	315	+5	Q234c	1.0	19.4

Diamond and Platinum

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
£55	£32	Anglo Am. Inv. 50c	£40	.....	Q810c	1.0	5.3
527	312	De Beers Df. 5c	400	+5	Q55c	5.1	3.6
490	275	Do. 40pc Pf. R5	275	.....	Q200c	¥	19.0
710	510	Impala Plat. 20c	615	+20	Q135c	1.9	5.7
652	410	Lydenburg 12½c	485	.....	Q104c	♦	5.7
790	500	Rus. Plat. 10c	608	+13	Q135c	♦	5.9

Central African

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
210	155	Falcon Z50c	180	.....	Q60c	♦	13.9
17	10	Wankie Col. Z$1	15	.....	†Q5c	13.6	13.9
16	10	Zam.Cpr.SBD0.24	11	.....	—	—	—

Finance

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
91	65	Afex Corp SA $1.50	65	.....	Q7.5c	♦	3.1
£13	425	Ang. Am. Coal 50c	425	.....	Q240c	3.5	14.7
£10¼	630	Anglo Amer. 10c	645	+5	Q180c	2.0	7.3
£57½	£32	Ang. Am. Gold R1	£32½	–¼	Q1450c	1.1	11.7
£40	£21	Anglovaal 50c	£21	.....	Q450c	♦	5.6
23½	11	※Clogau Gold 10p	20	.....	—	—	—
123	70	♥Cons Alex Corp	70	.....	♥Q5½c	—	2.1
537	409	Cons. Gold Fields	420	–1	24.5	1.4	8.2
66	34	East Rand Con. 5p	37	.....	1.0	2.1	3.8
820	425	Gencor R1	450	–25	†Q170c	1.1	9.9
£10	590	Gencor 40c	650	.....	Q195c	2.2	7.8
33	18	Gold & Base 12½p	20	.....	—	—	—
975	525	Gold Fields S.A. 5c	525	–24	†Q120c	2.0	6.0
£81	£46	Jo'burg Cons. R2	£53	+2	Q875c	2.2	4.3
900	530	Middle Wit 25c	575	.....	Q155c	♦	7.0
660	450	Minorco $BD1.40	450	.....	Q22c	1.2	1.3
975	250	New Wits 50c	275	.....	†Q70c	1.6	6.6
£22¼	£10¾	OFS Ins 1c	£11⅝	.....	ZQ417c	—	11.6

NOTES

‡ Interim since reduced, passed or deferred.
‡‡ Tax-free to non-residents on application.
♦ Figures or report awaited.
♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Dealt in under Rule 535(3).
§ Price at time of suspension.
¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress.
✤ Not comparable.
♦ Same interim; reduced final and/or reduced earnings indicated.
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	60	....	Fin. 13% 97/02	£111⅝	.....
Craig & Rose £1	900	–100	Arnotts	315	.....
Finlay Pkg 5p	42	.....	CPI Hldgs	45	.....
Holt (Jos) 25p	805	.....	Carrol Inds.	150	.....
IoM Stm. £1	86	.....	Dublin Gas	53	.....
			Hall (R. & H.)	78	.....
IRISH			Heiton Hldgs.	29½	.....
Fund 11¼% 1988	£100⅛	...	Irish Ropes	95	.....
Nat. 9¾% 84/89	£98⅛	.....	Unidare	205	.....

"Recent Issues" and "Rights" Page 29
(International Edition Page 23)

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18
Sept 1	Sept 11	Sept 12	Sept 22

* "New-time" dealings may take place from 9.30 am two business days earlier.

Markets dragged down as mood of uncertainty continues

The mood of uncertainty which dogged London markets towards the end of last week showed no sign of lifting yesterday. Business contracted further as the exchange rate index slipped nearer to its all-time low in oil-sensitive forex markets. Sterling weakened against other major currencies despite Opec claims of pledges from some states to reduce output from current levels. Oil ministers will today attempt to finalise proposals on voluntary cuts and production quotas.

The mounting international pressures for the imposition of economic sanctions on South Africa were another restraint. Early news suggested that the Prime Minister was showing a "flexible attitude" and it was later reported that she has offered a package of limited measures against the republic at the Commonwealth mini-summit conference.

Companies with connections in South Africa attracted nervous offerings and lost further ground but little selling pressure developed on the majority of blue chip issues. Generally, it was a case of prices drifting gradually lower through the absence of worthwhile support. The screw was tightened around mid-afternoon, however, when Wall Street resumed last week's downturn and the upshot was that the FT indices settled at the session's lowest. The FT Ordinary share closed 11.9 down at 1261.5 while its sister index, the FT-SE 100 share, fell 16.4 to 1545.4.

Electrical stocks were resilient and one of the few sectors to begin the day higher, reflecting weekend press recommendations of recovery potential. Plessey additionally benefited from a newspaper report of it being set to announce a joint venture with Westinghouse of the US for a new early warning radar system for the Royal Air Force. A few bright features also resulted *from the usual crop of weekend press tips.*

Government stocks went lower with the sterling exchange rate. Considered lacking in scope and threatening to reach a 10 per cent yield basis unless the authorities cut the price of the long tap, the market was unreceptive *to only light selling.* Longer maturities backed away ¾ more and the partly-paid tap, Treasury 8½ per cent 2007, closed that much lower at 23¼. Buyers displayed little inclination ahead of the July banking statistics which are due to be announced at 2.30 pm today.

Barclays down again

Barclays, which will conclude the interim dividend season on Thursday, remained a nervous market on South African uncertainties and fell 18 further to 477p. Standard Chartered *cheapened 9 afresh to 713p* for the same reason. Other clearing banks drifted lower for want of support with NatWest closing 14 down at 498p and Lloyds 8 off at 377p. Midland were 7 lower at 538p. *The 8 per cent devaluation* of the punt prompted falls of 13 and 18 respectively in Bank of Ireland, 212p, and Allied Irish, 240p. German issues, on the other hand, made useful progress with Deutsche 3 points dearer at £254 and Algemene 5¼ points up at £179.

Electronics group Coline International made a quiet debut in the Unlisted Securities Market; the shares, placed at 110p, opened at 112p and touched 113p prior to closing at 111p. The other USM newcomer Omnitech, a food packaging concern, settled at a penny discount to the placing of 35p.

The mildly encouraging statement from the Brewers Society which followed the announcement of a 2.8 per cent increase in beer production during June compared with the same month in 1985 was totally overshadowed by official confirmation that the Director of Fair Trading is to refer the "tied" public house system to the Monopolies Commission. Dealers reported sizeable selling of selected leading concerns, notably Bass, 30 off at 735p, and Whitbread A, 13 cheaper at 265p. Allied-Lyons, 317p, and Grand Metropolitan, 380p, fell 8 and 5 respectively. Scottish and Newcastle, with a smaller exposure to the "tied" house system, firmed a couple of pence to 186p. With the exception of J. A. Devenish, which responded afresh to press comment and advanced 15 to 235p, Regionals were little changed.

Leading Buildings suffered a mark-down in the face of scrappy selling. Blue Circle continued to reflect South African uncertainties and closed 8 off at 567p, while RMC slipped 4 to 640p. BPB Industries softened a couple of pence to 503p, as did Marley, to 110p. Cement Roadstone, which announced a major acquisition from George Wimpey last week, shed 8 to 108p, after 105p, following the devaluation of the Irish punt. Elsewhere, Wiggins Group, a rising market of late on asset injection hopes, came back 13 to 140p on the liquidation of speculative positions, while Raine Industries eased 3 to 69p as interest faded. Timbers were dull with Meyer International 6 cheaper at 248p and Magnet and Southerns 4 off at 176p. Against the trend, Ibstock Johnsen gained 8 to 178p, after 179p, on vague rumours of a bid from C. H. Beazer. Takeover hopes also boosted Watts Blake Bearne which rose 11 to 184p. Thomas Warrington attracted fresh support and firmed 4 to 84p and Marshalls (Halifax) picked up 7 to 192p in a restricted market.

ICI held up well for most of the session, but eventually succumbed to US selling to close a net 10 down at 980p. Hopes that the company will announce a return to the dividend list with tomorrow's interim figures helped Yorkshire Chemicals firm 2 to 144p. William Ransom advanced 75 to 430p in a restricted market on further consideration of the annual results. Elsewhere, Amersham International firmed 5 to 405p.

Quietly dull conditions prevailed among leading Stores. Marks and Spencer softened a couple of pence to 194p and Harris Queensway dipped 4 to 226p, while Woolworth gave up 15 at 620p. Secondary issues were featured by a press-inspired gain of 6 to 58p in Lanca, while *William Bedford* moved up 3 to 60p. Bentalls, however, lost 10 at 133p and W. H. Smith "A" cheapened 4 at 264p.

Leading Electricals got off to a bright start, but subsequently drifted back, underlying sentiment not being helped by disappointing half-year figures from STC, which ended *10 lower* at 156p. News of the joint radar venture with Westinghouse of the US prompted early interest in Plessey 4 higher at 204p after having touched 208p at one stage. Thorn EMI, assisted by the £50m deal for televisions with Dixons, advanced 10 to 472p. Dixons, however, closed 6 lower at 326p. GEC touched 202p before closing 2 cheaper on the day at 194p, while Racal ended unaltered at 186p, after 192p. BICC closed 13 lower at 265p following the acquisition of the Haden Building Services division and 16.8m share placing. Demand persisted for *Amstrad, up 2 further at 134p,* after 136p, while NEI, reflecting week-end Press mention, hardened a couple of pence to 93p.

Leading Engineers held relatively steady, with GKN closing only a penny easier at 344p awaiting tomorrow's interim statement. Among secondary issues, *Glynwed fell 10 to 312p following* acquisition news, while Renold, still reflecting the first half profits warning, eased 3 further to 68p. ML Holdings continued to benefit from last week's preliminary statement and closed 6 higher at 406p, after 408p. Favourable Press mention left Camford 3 firmer at 104p, but Tace fell 20 to 410p in a thin market. Further support ahead of the annual results due later this month prompted a fresh gain of 6 to 142p in Press Tools. Bruntons (Musselburgh) held at 66 following rejection of the bid from Carlco; the latter gave up 15 to 405p.

Leading Food Manufacturers, boosted on Friday by news that Goodman Fielder of Australia had agreed to acquire S. & W. Berisford's 14.6 per cent stake in Ranks Hovis McDougall for some £107m, turned easier as bid speculation cooled. RHM, following Friday's surge to 241p, eased 5 to 236p. Rowntree Mackintosh lost 8 to 417p and United Biscuits gave up 4 at 239p. Elsewhere, Northern Foods shed 4 to 278p following cautious Press comment, but Unigate gained 7 to 285p on expansion hopes. Retailers were quietly dull with Tesco 3 cheaper at 362p and J. Sainsbury a couple of pence off at 370p. Argyll shed 5 to 308p and Hillards lost 7 at 185p.

Among Hotels, Trusthouse Forte drifted off to close 3 cheaper at 147p and Ladbroke lost a similar amount at 339p. Kennedy Brookes edged up 3 to 230p awaiting today's half-timer, while Norfolk Capital firmed 2 to 23p as takeover rumours revived.

Boots sold

Boots came under selling pressure and fell 10 to 243p as bid hopes faded amid talk of a major US acquisition. Other leading miscellaneous industrials drifted lower mainly for the want of support. The appointment of Mr R. P. Bauman as chairman failed to enliven Beecham which closed 5 cheaper at 400p. Glaxo eased 12 to 955p and BOC 4 to 304p. Elsewhere, Shiloh responded to weekend Press mention with a gain of 6 to 130p, while speculative activity lifted Hyman 2½ to 38½p, after 40p. In contrast, occasional offerings left Smiths Industries 11 cheaper at 249p and British Aerospace 10 lower at 473p. Further profit-taking clipped 4 from Times Veneer, at 57p. Reflecting the devaluation of the punt, Waterford gave up 6 to 114p. Fears of economic sanctions on South Africa prompted fresh dullness in Metal Closures which eased 5 to 140p. Other dull spots included Parkfield, 20 lower at 525p, and Bridon, 8 cheaper at 152p.

In the Leisure sector, recently-neglected WSL revived with a gain of 7 at 192p, but Pleasurama softened 5 to 317p awaiting today's half-timer. Viewplan added 2 to 70p pending news of the bid approach.

Glanfield Lawrence were outstanding in Motors, rising 10 to 100p, after 102p, following a newsletter recommendation. Elsewhere, T. Cowie firmed 4 afresh to 197p in anticipation of today's interim results.

Jefferson Smurfit, a firm market of late on US acquisition news, dropped to 225p at one stage before closing 7 lower on balance at 235p in sympathy with the 8 per cent devaluation of the Irish punt. Klearfold, which fell 40 last week on the abysmal half-year figures, rallied 8 at 68p, while Aidcom firmed 3 to 50p on revived speculative support.

A dull Property sector showed Land Securities 4 off at 318p and MEPC 8 lower at 325p. Slough Estates softened 2 to 169p, as did Peachey, to 274p. Elsewhere, Peel Holdings lost 30 to 490p despite the good annual results, while Egerton came on offer and fell 8 to 85p. Belgrave Holdings, a firm market last week, eased 6 to 130p and Dares Estates shed 2 to 16p. Clarke Nickolls drifted off to close a net 7 down at 148p, but Warnford responded to occasional buying and rose 10 to 610p. Parkdale touched 87p before closing 2 dearer at 84p in response to a newsletter recommendation, while Gilbert House added 2 to 15p following a 15p per share cash bid from Letts Green Estate, a company owned by the family interests of the Gilbert House chairman, Mr T. P. Parrett.

Courtaulds softened a few pence to 263p in Textiles where falls of 10 and 12 respectively were seen in Yorklyde, 270p, and Atkins Bros, 255p.

A rising market of late on Rothschild stake speculation, stockjobbing concern Smith New Court gained 5 afresh to 175p in reply to an announcement that Mr John Gunn is to join the company next month as a non-executive director. Elsewhere in Financial Trusts, Mercantile House lost 13 to 270p, following cautious comment in the wake of last week's results and profit-taking clipped 3 from Amalgamated Financial, at 26p. The punt's devaluation left Silvermines 4 off at 95p.

Oils quiet

The Oil majors traded quietly pending the outcome of the Opec meeting. Price movements were generally restricted to a few pence in either direction although Shell, helped by currency influences, rose 10 to 810p. British Petroleum moved up to 578p initially before drifting back to close unchanged at 573p. Britoil were also unaltered, at 105p, but Enterprise hardened a penny to 102p. Among Irish issues, Conroy, a firm market of late reflecting the lead and zinc find south of Dublin, slipped 3 to 150p owing to the devaluation of the Irish currency. Tricentrol edged up 3 to 50p and I C Gas improved a similar amount to 400p.

South African worries continued to plague Lonrho which touched 199p before closing a further 2 easier on balance at 200p.

In Plantations, Grand Central rose 5 to 60p, after 61p, following an investment recommendation.

South African mining markets showed little appreciable reaction to the likelihood that *Mrs Thatcher is prepared to impose* limited measures against the Republic in an attempt to placate other Commonwealth leaders.

As through last week, dealers reported thin and sensitive conditions in most major trading centres with operators seemingly content to remain on the sidelines. A relatively stable performance by the Financial Rand failed to stem occasional offerings from the Cape and with the US failing to provide a definite lead, heavyweight Golds drifted to close at the day's lowest levels. Vaal Reefs dipped 1¼ to £33¾ while Randfontein fell a point to £41½ and Western Deep eased a half-point to £16½. The more marginal issues, however, improved reflecting the pound's performance against the dollar and the FT Gold Mines index, calculated in sterling terms, rose 0.5 to 196.5.

Bullion dipped below the $360 barrier to close a net $3 off at $359.25 an ounce.

Platinums made fresh progress following the continued strength of the metal price and persistent fears of disruption to South African supplies. Impala, due to announce preliminary results shortly, improved 20 to 615p, while Rustenburg advanced 13 more to 608p.

With Bank holiday influences reducing activity in overnight Sydney to a trickle, Australians rarely strayed from pre-weekend positions. Selected Golds improved, notably Central Norseman, up another 5 to 383p, and Gold Mines of Kalgoorlie, 10 to the good at 380p. Sporadic interest was also evident for Sons of Gwalia, 208p, and Pancontinental, 88p, up 8 and 6 respectively. Leading diversified stocks, on the other hand, displayed modest falls. Bougainville, 109p, and Peko-Wallsend, 207p, both easing 3.

Traded Options

Demand for Traded Options remained at a relatively low ebb. Total contracts struck amounted to 11,065 comprising 6,918 calls and 4,147 puts. Recent favourite Lonrho again proved to be lively however, with 1,225 calls and 597 puts traded. Operators also displayed fresh enthusiasm for positions in Grand Metropolitan and Boots which contributed 1,000 and 824 calls respectively.

FINANCIAL TIMES STOCK INDICES

	Aug 4	Aug 1	July 31	July 30	July 29	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	88.65	88.90	89.06	89.35	89.04	82.96	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.85	95.97	96.02	95.74	95.57	88.24	95.97 (7/7)	86.02 (23/1)	95.74 (28/11/47)	88.24 (3/1/75)
Ordinary ♥	1,261.5	1,273.4	1,272.0	1,280.3	1,271.6	943.9	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	196.5	196.0	193.3	193.2	205.0	309.2	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.37	4.33	4.34	4.31	4.34	4.93				
Earnings Yld.% (full)	10.63	10.53	10.55	10.49	10.38	12.11				
P/E Ratio (net) (*)	11.47	11.58	11.56	11.63	11.73	10.18				
Total Bargains (Est)	20,770	19,101	22,333	21,150	22,326	19,314				
Equity Turnover £m.	—	338.34	488.51	534.19	456.20	336.26				
Equity Bargains	—	15,902	18,259	19,484	19,318	15,233				
Shares Traded (ml).	—	182.2	224.9	233.4	251.9	154.5				

S.E. ACTIVITY

Indices	Aug. 1	July 31
Gilt Edged Bargains	100.5	107.6
Equity Bargains	103.0	118.3
Equity Value	683.9	987.4
5-Day Average		
Gilt Edged Bargains	107.3	109.3
Equity Bargains	119.3	129.5
Equity Value	919.8	995.7

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1276.8	1275.2	1272.7	1270.1	1267.1	1266.8	1263.6	1262.7

Day's High 1277.0. Day's Low 1261.0.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.09.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (60)

... American, Robeco (Br.), Do. Sub. Shs., Rorento NV, SPLIT Inc., Stockholders F.E., TR Pacific Basin, US Deb. Corp. OILS (2) Royal Dutch, Shell Transport. PLANTATIONS (1) Grand Central Inv., MINES (3) ACM, Hawk Invs., Sons of Gwalia.

NEW LOWS (31)

BASE LENDING RATES

EUROPEAN OPTIONS EXCHANGE

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Stock
A and M Group	Ibstock Johnsen
Barclays	Lucas Inds
Boss	STC
Boots	Saatchi and Saatchi
Cantors A	Smurfit (Jefferson)
Guthrie	Wimpey (George)

FRIDAY'S ACTIVE STOCKS

Stock	Stock
RHM	Parkfield
Wiggins Group	VSEL Cons'tm.
Cable & Wire	Barclays
Lex Service	Grand Met.
Hobson	RTZ
Lonrho	Thorn EMI

Based on bargains recorded in SE Official List

RISES AND FALLS YESTERDAY

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1
Sept 8	Sept 19	Dec 4	Dec 15

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Fergebrook, Barclays, British Telecom, Amstrad, Pentland, BSG International, Parkdale, Sound Diffusion, East Rand Consolidated, Howden Group, William Boulton, Greenwich Resources, Rowntree Mackintosh, Glanfield Lawrence, Bristol Oil and Minerals, STC, Rawlin and Hillsdown. No puts or doubles were reported.

LONDON TRADED OPTIONS

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

Indices

NEW YORK-DOW JONES

	Aug 4	Aug 1	July 31	July 30	July 29	July 28	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	1,769.87	1,763.64	1,775.31	1,778.38	1,766.87	1,773.80	1909.03 (2/7/86)	1502.29 (22/1/86)	1909.03 (2/7/86)	41.22 (2/7/32)
Transport	709.13	713.09	716.13	718.89	711.00	713.63	830.84 (31/3/86)	686.97 (9/1/86)	830.84 (31/3/86)	12.32 (8/7/32)
Utilities	203.01	203.28	204.05	203.94	203.28	203.01	207.45 (25/7/86)	169.47 (22/1/86)	207.45 (25/7/86)	10.5 (8/4/34)
Trading vol	—	114.92m	112.66m	148.69m	115.68m	127.99m	—	—	—	—

	July 25	July 18	July 11	Year Ago (Approx)
Ind Div Yield %	3.75	3.81	3.72	4.52

STANDARD AND POORS

	Aug 4	Aug 1	July 31	July 30	July 29	July 28	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	260.08	259.22	260.58	261.23	258.92	260.51	282.24 (2/7)	224.88 (22/1)	282.24 (2/7/86)	3.62 (30/6/32)
Composite	235.99	234.91	236.12	235.95	234.55	236.01	252.70 (2/7)	203.49 (22/1)	252.70 (2/7/86)	4.40 (1/6/32)

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TORONTO

[illegible]

	Aug. 4	Aug. 1	July 31	July 30	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1120.2	1124.9	1123.5	1108.7	1247.0 (7/5)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	512.4	514.5	507.6	500.9	602.0 (24/5)	481.1 (20/5)
AUSTRIA						
Creditbk Aktien (30/12/8)	232.55	231.71	230.58	230.38	266.64 (23/4)	226.58 (5/3)
BELGIAN						
Brussel SE (1/1/84)	3650.15	3636.87	3626.58	3625.45	3748.88 (7/7)	2766.31 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	187.46	193.69	197.90	202.50	250.70 (10/4)	193.69 (8/1)
FRANCE						
CAC General (31/12/82)	379.8	378.9	378.5	380.4	411.5 (15/5)	267.8 (2/1)
Ind Tendance (31/12/82)	144.4	143.8	145.5	145.5	154.5 (12/5)	101.6 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	604.70	607.65	607.84	611.10	753.89 (17/4)	585.92 (22/7)
Commerzbank (1/12/53)	1822.4	1830.1	1825.1	1842.0	2278.8 (17/4)	1762.4 (22/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1906.28	1874.11	1855.46	1847.94	1906.28 (4/8)	1559.94 (15/5)
ITALY						
Banca Comm Ital. (1972)	750.43	741.45	737.71	725.75	908.20 (20/5)	454.87 (24/1)
JAPAN**						
Nikkei (16/5/49)	17263.1	17521.83	17508.7	17789.9	18050.59 (26/7)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1408.13	1411.29	1428.82	1460.27	1456.40 (23/7)	1025.85 (21/1)
NETHERLANDS						
ANP.CBS General (1970)	287.7	284.6	283.8	283.1	294.4 (11/7)	240.4 (5/3)
ANP.CBS Indust (1970)	286.7	285.5	285.4	284.2	285.7 (11/7)	234.0 (5/3)
NORWAY						
Oslo SE (4/1/83)	351.61	333.45	336.06	335.12	402.81 (16/1)	351.61 (4/8)
SINGAPORE						
Straits Times (30/12/66)	751.73	741.81	741.94	746.30	778.89 (28/6)	563.34 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1392.3	1386.2	1341.9	1392.3 (1/8)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1259.7	1252.7	1228.3	1259.7 (1/8)	1019.5 (2/1)
SPAIN						
Madrid SE (30/12/85)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN						
Jacobson & P (31/12/56)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWITZERLAND						
SwissBankCpn (31/12/58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD						
M.S. Capital Intl. (1/1/70)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Saturday August 2: Japan Nikkei 17,284.8. TSE 1,406.97.

[illegible]

NYSE COMPOSITE CLOSING PRICES

Continued from Page 33

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Prev. Close
28½	23¼	WisG pf2.55		9.3		4	27½	27⅜	27⅜	−⅝
57¼	28⅛	WiscPL2.96		5.3	14	142	56	55¼	56	+⅝
57	35¾	WiscPS 3		5.3	13	142	57	56⅝	57	
38½	22	Witco s 1.12		3.3	12	167	33¾	33½	33½	
14	8½	WolvrW12j				356	8⅝	8	8⅛	−⅜
49	21⅞	Wlwth s1.12		2.6	15	1357	42⅞	41⅜	42⅜	−½
17⅝	13½	Yorkin n				193	15⅞	15½	15¾	
39	28¼	ZaleCp 1.40		4.1		36	34	34	34	−⅛
9⅞	3½	Zapata .03j				348	3⅞	3¾	3¾	
43⅞	23⅞	Zayre s .32		1.0	19	3545	31¼	29½	30¾	−1¼
17	11¼	Zemex .40		3.5	12	1	11½	11½	11½	+⅛
29⅞	16¼	ZenithE				676	22⅝	22¼	22½	−¼
18¼	8⅝	ZenLb s			13	4415	10⅝	9	9⅞	−⅝
22⅜	14½	Zero s .28		1.9	15	131	15⅝	15	15	−⅛
45¾	32¼	Zurnin 1.32		3.7	13	179	36	34¾	36	+1
5⅝	3	WrldAr				38	4¼	4⅛	4⅛	−⅛
46½	25½	Wrigly s .96		2.3	18	96	43	41¼	42	−⅞
4⅛	2⅛	Wurltzr				91	2¼	2⅛	2⅛	
17½	10½	WyleLb .32		2.8	36	297	12	11⅝	11⅝	−¼
25¾	15	Wynns .60		2.9		30	21⅛	21	21	−½
		X Y Z								
72¼	45¾	Xerox 3		5.7	16	4258	53⅛	51⅝	52½	−½
58¼	53½	Xerox pf5.45		9.6		19	56⅞	56⅝	56⅝	−⅛
28¾	20⅝	XTRA .64		2.9		57	22¼	21⅞	22	−¼

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES

Devenish (J A)	235	+15
Glanfield Lawr	100	+10
Grand Central Inv	60	+ 5
Ibstock Johnsen	176	+ 8
Klearfold	68	+ 8
Lanca	58	+ 6
Ransom (Wm)	430	+75
Thorn EMI	472	+10
Unigate	285	+ 7
WSL	192	+ 7

FALLS

Tr 8½ 07(£23¼pd)	£23⅝	− ⅝
Allied Irish Bk	240	−18
BICC	265	−13
Barclays	477	−18
Bass	735	−30
Boots	243	−10
BAe	473	−10
Cement-Roadst	108	− 9
Glynwed Intl.	312	−10
ICI	980	−10
MEPC	325	− 8
Mercantile Hse	270	−13
NatWest Bank	498	−14
Rowntree Mack	417	− 8
STC	156	−10
Smiths Inds	249	−11
Smurfit (Jeff)	235	− 7
Vaal Reefs	£33⅞	− 1⅞
Whitbread A	255	−13
Wiggins Group	140	−13

MONTREAL
Closing prices August 4

7391	Bank Mont	$30	29⅝	30	+⅛
100	BombrdrA	$21¾	21¾	21¾	−⅛
6530	BombrdrB	$22	21⅝	22	+¼
325	CB Pak	$27¼	27¼	27¼	−⅜
79995	Cascades	$17⅞	17½	17¾	+⅛
783	DomTxtA	$19⅞	19⅝	19⅝	−⅜
2880	MntTrst	$12	11⅞	12	−⅛
20392	NatBk Cda	$24⅝	24½	24½	+⅛
5589	Noverco	$12⅜	12¼	12¼	−⅛
19548	Power Corp	$17	16⅝	16⅝	−¼
3967	Provigo	$19½	17¼	19¼	
5962	Royal Bank	$30⅞	30¾	30¾	−⅛
2144	RoyTrstco	$31¼	30¾	30¾	
1550	SteinbrgA	$42¼	42¼	42¼	+¼

Total Sales 1,498,654 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 33

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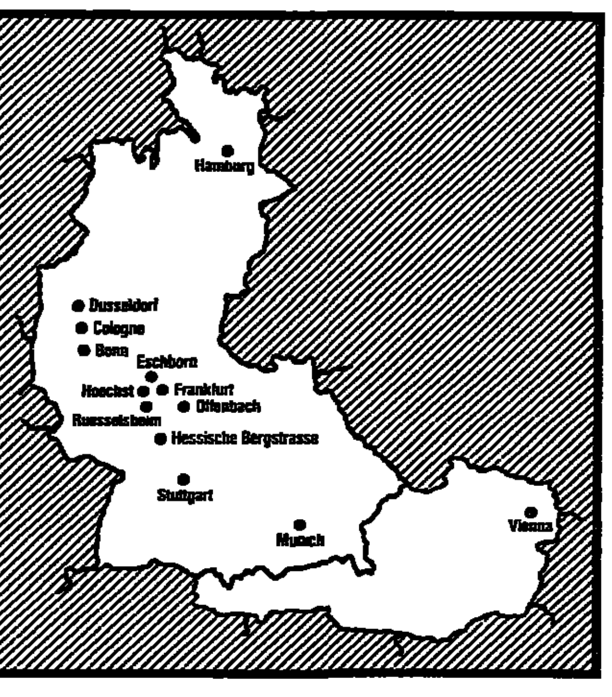

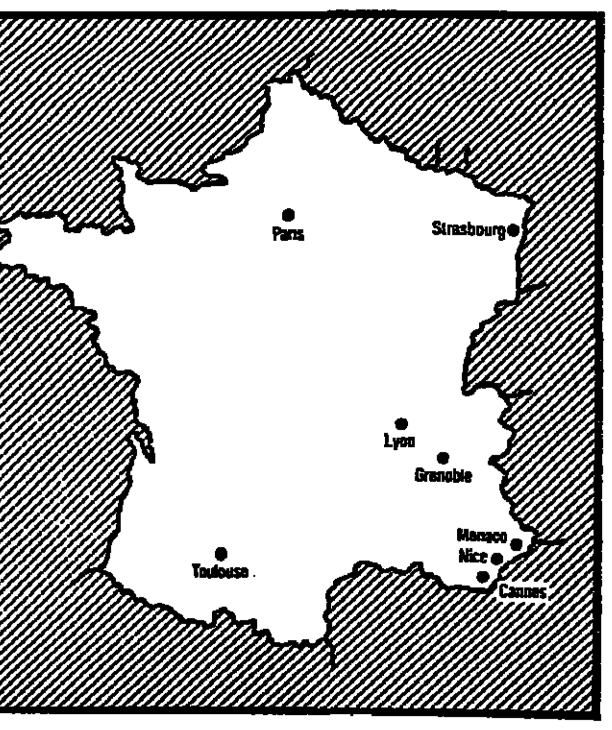

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	14½	AAH s	.44	2.0	17	88	21½	20½	21½	−⅛
30	21¾	ADT	.92	3.9		116	23¾	23⅝	23⅝	−⅛
33	11½	AFG s	.08r	.3	16	777	28½	27⅝	28⅜	−⅞
25⅝	13¾	AGS			12	106	17½	17¼	17¼	−¼
15	9⅞	AMCA			275	16	11	11	11	+⅛
60⅝	37½	AMR			13	1616	51¼	50½	51	−½
12½	8½	APL			6	56	11⅞	11½	11⅞	+½
16¾	10¼	ARX	.71t	6.9	9	52	10⅞	10¼	10¼	
45⅞	28¾	ASA	2a	6.3		358	31½	31⅛	31½	
18⅝	10	AVX		.32	612	10½ d		9¾	9⅞	−⅝
32	22⅝	AZP	2.72	9.7	8	1313	28⅛	27⅝	28⅛	+⅛
55	26⅜	AbtLb s	.84	1.6	24	3947	52½	51	52	+½
32	19⅝	AccoWd .56		2.1	50	45	26¾	26½	26⅝	
16¼	9⅛	AcmeC .40		4.1		77	9⅞	9⅝	9¾	+⅛
8¼	7	AcmeE .32b		4.1	19	4	7⅞	7⅞	7⅞	
21	17	AdaEx 1.90e		9.3		107	20¾	20⅜	20⅜	−¼
33⅜	16	AdmMl .40		1.3	14	12	30⅞	30⅜	30⅜	−⅜
20⅝	11½	AdvSys .83t		5.0	15	101	16½	16	16½	+½
32⅞	14⅛	AMD				1965	15½	14⅞	15¼	−¼
12⅝	5⅝	Adobe n				79	6	5¾	5¾	−¼
18⅜	13¾	Adob pf 1.84		13		49	14¼	14	14	−¼
20¼	15¼	Adob pf 2.40		14		50	16¾	16⅝	16¾	
18⅝	7⅜	Advest .12a		.8	11	358	14¾	14⅜	14¾	−¼
66¼	42¼	AetnLf 2.64		4.5	10	5065	59⅛	58	58¾	−⅝
57½	51½	AetL pf4.28e		8.1		5	52¾	52¾	52¾	−⅛
28¾	9¾	Ahmns .46		1.8	8	3299	26	25	26	−⅛
5¾	2½	Aileen			90	102	4¾	4½	4½	−¼
41⅝	25¾	AirPrd s .80		2.5	59	1979	33	31½	32½	−⅝
27¾	16	AirbFrt .60		3.4	15	59	17⅝	17⅛	17½	
2⅛	⅜	AlMoan .60c				254	7-16	13-32	13-32	−1-32

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Continued on Page 33

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
46⅛	28⅝	Nucor s .32		1.0	11	1054	31⅞	31	31¾	−⅛
6½	3⅝	NutriS .08j				166	206	6⅞	6⅛	6¼
69	38½	Nynex s3.48		5.3	11	2695	66¾	65½	66⅛	−¾
O O O										
3	⅞	Oakind				1174	1⅛	1	1	−⅛
35½	27¾	OakiteP1.52		5.2	15	2	29⅛	29⅛	29⅛	−⅛
36¾	22⅝	OccPet 30		10	6	11932	24¼	22¾	24¾	+1¾
59½	52⅝	OccP pf6.25		12.		1371	54	52⅝	54	+1⅛
110⅞	101⅝	Occi pf14.62		14.		12	104¾	104½	104⅝	+⅜
128¼	112	OccP pf 14		12.		z20	120	120	120	−1
24⅛	10⅝	ODECO85j				872	11	10⅝	11	+¼
41	27½	Ogden 1.80		4.6		532	39	38½	38¾	−½
20⅝	14⅞	OhioEdi 92		9.7	8	3665	19⅞	19½	19⅞	
40	29¼	OhEd pf3.90		11.		z10	37	37	37	+1
46	34	OhEd pf4.56		10.		z20	45	45	45	−1½
72¾	31	OhEd pf7.24		11.		z2200	68¾	68¾	68¾	−1¼
28	22⅝	OhEd pf2.56e		11.		6	22½	d22⅜	22⅜	−⅝
32	25¾	OhEd pf3.50		11.		16	30⅞	30½	30⅞	+⅛
34½	29⅜	OhEd pr3.92		12.		28	33⅝	33⅛	33½	
20⅝	14⅞	OhEd pf1.80		9.2		3	19⅝	19⅝	19⅝	−⅛
92⅛	70	OhEd pf9.12		10.		z1450	88¼	88	88½	+¾
103½	86	OhE pf10.78		11		z850	101½	100½	100¾	+¼
18⅝	10⅞	OhMatr .40		3.2	35	182	12¾	12½	12½	−⅜
117½	107	OhP pfF 14		12.		z50	117½	117	117	−½
37	21½	OklaGE2.08		5.7	16	1037	36⅞	36¼	36½	
11	8	OklaG pf.80		7.3		z150	10½	10¼	10¼	−⅝
53¼	29⅞	Olin	1.60	3.4		458	44¾	43¾	44⅜	−⅞
29⅝	17¼	Whittak .60		2.2	35	361	27⅜	27	27⅜	+¼
17¼	8	Wilfred .12		.8	15	7	14⅛	14⅛	14⅛	+⅛
18½	7⅞	WillcxG.10		.7	7	64	13⅝	13⅝	13⅝	
33½	17⅝	Williams1.40		7.8	164	826	18⅜	17¾	18	+¼
12¼	3	WilmEl			32	79	7¼	7	7⅛	
7⅛	4	WilshrO10b		1.9	23	11	5½	5⅜	5½	+⅛
53	32¼	WinDix1.80		3.8	17	249	48	45¾	47⅝	+½
20¾	8½	Winnbg .20		2.1	19	479	9¾	9⅝	9¾	+⅛
9⅝	4½	Winner				8	4⅝	4⅝	4⅝	
10⅝	4½	WinterJ10e		1.4	18	42	7⅜	7¼	7¼	−⅛
59¾	30¼	WiscEP2.68		4.5	12	284	59⅝	58¾	59¼	
104	76	WisE pf8.90		8.7		z200	102½	101½	102½	+2½
100¾	68	WisE pf7.75		8.3		z250	94	93½	93½	−½

Continued on Page 31

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 31

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Oil hopes fuel late recovery

A LATE RALLY by oil shares boosted blue chips on Wall Street yesterday and reversed sharp early losses, *writes Paul Hannon in New York.*

Reports that Opec oil ministers were nearing agreement on limiting production levels also boosted crude oil spot and futures prices.

The Dow Jones industrial average, down over 24 points at midsession, finished the day 6.33 higher at 1,769.97 although the transportation and utility averages failed to recover from early weakness. Volume totalled 129m shares.

The opening falls were attributed to growing unease over recent corporate results and today's start of the Treasury refunding programme. The market was also taken by surprise by heavy arbitrage sell programmes linked to stock index futures, which opened at a steep discount to cash indices.

Among leading blue chips IBM reversed an early loss of $⅝ to close $¼ higher at $131⅞ in heavy turnover, American Can was $⅝ ahead at $81½ and Merck reduced early losses to finish $⅝ lower at $107.

In the firmer oil sector Chevron added $2⅜ to $38⅜, and Exxon gained $1¼ to $61⅜ while Texaco firmed $⅝ to $29⅝.

The flow of corporate results virtually dried up. Of the leading companies that have already announced trading statements for the second quarter, estimates place their net income down 5 per cent, the sixth consecutive quarterly decline.

Steelmakers, which produced some of the worst results of the three-month period, were active again yesterday, with USX up $⅛ to $15⅝ despite early fears that the country's largest steel group may be in for a protracted strike. Bethlehem held steady at $7 while LTV fell $⅛ to $2⅜, both in heavy trading.

The car sector was broadly higher despite reports that output from Detroit was down 9.5 per cent in July. General Motors at $69⅝ was $1⅜ higher while Ford gained $1⅝ to $54⅝. Chrysler, which announced that it was increasing its 1987 model prices by an average 5.7 per cent, added $1⅞ to $36⅝. American Motors, however, dropped $⅛ to $2⅞ in heavy turnover.

Hammermill Paper dipped $⅝ to $55⅝ after the board rejected a $900m bid by an investor group led by Mr Paul Bilzerian.

Coca-Cola, which is appealing the injunction against buying Dr Pepper, the soft drinks group, advanced $⅝ to $38⅝ while PepsiCo rose $⅝ to $31½.

Among media stocks, CBS held an early $⅞ at $128⅝ on reports that the board was pressuring Mr Laurence Tisch, its largest investor, to declare his intentions about the broadcasting group.

Taft Broadcasting fell $1 to $112½ on reports that an investor group led by Mr Robert Bass had increased its holding in the company 19.5 per cent.

The airlines sector, which has posted some broad gains in recent weeks, saw Eastern hold unchanged $8⅜ on plans to cut its transatlantic operations while UAL, the largest domestic carrier, retreated $1⅞ to $50⅝ on reports that its takeover of Frontier Airlines from People Express has encountered problems. People Express lost $⅛ to $5¼.

The bond market was uneasy ahead of the refunding operation. The Treasury's key long bond, the 7¼ per cent due in 2016, fell 3/32 at 97 17/32 to yield 7.45 per cent while the other bellwether issue, the 7⅜ per cent of 1996, was 3/32 up at 100 12/32 to yield 7.30 per cent.

Federal funds opened at 6⅝ per cent but later rose to 6½ per cent. The Federal Reserve Board announced a $1.5bn customer repurchase agreement and its intention to buy $900m of Treasury bills for a customer account.

LONDON

Uncertainty continues as £ falls

THE UNCERTAINTY and nervousness which developed late last week in London continued yesterday as sterling slipped further.

Mounting pressure over the imposition of economic sanctions against South Africa was another restraint. Companies with connections in South Africa attracted nervous offerings and lost further ground.

The FT-Ordinary share index ended at its lowest level of the session, down 11.9 at 1,261.5, and the FT-SE 100 share index fell 16.4 to 1,545.4.

Issues with the sharpest falls included Barclays, off 18p at 477p, Vaal Reefs £1⅞ lower at £33⅜, STC 10p down at 156p and Bass, at 735p after a loss of 30p.

Gilts fell with the exchange rate. Longs drifted by as much as ⅝ and the partly paid tap, Treasury 8½ per cent 2007, closed that much lower as well at 23⅜.

Chief price changes, Page 31; Details, Page 30; Share information service, Pages 28–29.

AUSTRALIA

A BANK HOLIDAY in Sydney severely reduced trading, and the All Ordinaries index fell 4.7 to 1,120.2.

The market was also weakened by the continuing negative reaction to the Reserve Bank's move to boost its rediscount rate from 16 per cent to 18 per cent to support the sagging dollar.

Golds remained higher, however, benefiting from the softer dollar and higher world bullion prices. Central Norseman added 20 cents to A$9.50, Kidston 10 cents to A$6.70 and GMK 8 cents to A$9.28.

Higher interest rates hit property developers which gained last week from the Government's move to relax foreign investment restrictions. Hooker Corp shed 3 cents to A$2.45, and Jennings Industries faded 10 cents to A$1.90.

In banks ANZ was cheaper at A$4.60, down 7 cents.

HONG KONG

HEAVY FOREIGN BUYING fuelled a rally in Hong Kong and pushed the Hang Seng index through the 1,900 barrier to leave it up 32.17 at a record 1,906.28.

Turnover surged to HK$862.71m, up from Friday's HK$526.54m and the highest so far this year.

Blue chips with high international profiles were sought as overseas investors shifted large amounts of capital into the exchange.

Hang Seng Bank jumped HK$1.25 to HK$35.25, both Hutchison Whampoa and Cheung Kong gained 50 cents each to HK$32.25 and HK$24.00, Hongkong Bank added 30 cents to HK$7.05 and Winsor Industries rose 25 cents to HK$8.20.

SINGAPORE

THE VICTORY of the ruling National Front in Malaysia's national elections on Sunday boosted the spirit in Singapore after two lower sessions, and prices ended sharply higher in places.

Blue chips and quality stocks were the most popular. The Straits Times climbed 10.44 to 751.75.

UOB was the most active issue with 2.07m shares changing hands. It rose 8 cents to S$4.00. Among other banks Malayan Banking added 20 cents to S$3.90, OCBC gained 10 cents to S$7.20 and OUB advanced 5 cents to S$2.97.

Elsewhere, Genting rose 14 cents to S$4.40, Hong Leong Finance 17 cents to S$2.43 and Singapore Airlines 15 cents to S$7.40.

SOUTH AFRICA

AFTER RECORD HIGHS last week, Johannesburg ended yesterday with no clear direction and with some investors uneasy over the possibility of economic sanctions from overseas.

The move by the Reserve Bank to lower its base discount rate by half a percentage point to 10.5 per cent came too late to affect trading.

Golds were mixed, with Vaal Reefs R3 higher at R282 and Southvaal R1.50 easier at R131.50.

TOKYO

Investors remain on sidelines

GROWING SENTIMENT that the market has entered a correction phase and the yen's rise against the dollar saw share prices fall for the fourth consecutive session in Tokyo, *writes Shigeo Nishiwaki of Jiji Press.*

Trading was thin, and prices edged down with the exception of electric power and gas issues and some speculatives, which firmed on small-lot buying.

The Nikkei average lost 21.69 to 17,263.10 on volume of 330.35m shares, almost half that of the 759.80m shares traded last Friday and less than the 402.38m of Saturday's half-day session.

Trading volume on the Tokyo stock market exceeded 1bn shares in 13 of the 28 sessions in July, reflecting active dealing in large-capital issues such as steel, shipbuilding, electric power and gas.

Losses outnumbered gains by 389 to 368 with 156 issues unchanged. Institutional and individual investors remained on the sidelines because of the yen's sharp rise and the customary lack of incentives early in the week. Some investors were awaiting the impact on exchange rates and Wall Street of the auctions of $28bn worth of US Treasury bonds and notes to be held from August 5 to August 7.

Electric power and gas stocks benefited from the yen's surge. Tokyo Gas, which topped the list of active stock with 26.32m shares traded, rose Y14 to Y773. Tokyo Electric Power added Y160 to Y5,750. These two issues have been lacklustre after reading highs of Y880 and Y6,070, respectively, on July 31.

Large-capital issues such as steels and shipbuildings, which had been favoured in July together with electric power and gas shares, were depressed. Nippon Kokan, with 9.11m shares traded – less than both of its July peak levels – eased Y5 to Y218. Mitsubishi Heavy Industries also lost Y6 to Y479.

Mitsubishi Electric and Toshiba, favoured as quasi-large-capital issues in the second half of July, slipped Y7 and Y11, respectively, to Y438 and Y489, partly because of the yen's fluctuations.

Large trading houses attracted buyers in the morning on hopes of lower interest rates but levelled off in the afternoon. Mitsui and Co, with 13.62m shares traded, rose Y13 in the morning but closed Y1 down at Y540. Mitsubishi advanced Y13 at one stage but closed Y2 down at Y925. C. Itoh and Co also shed Y2 to Y883.

Some speculative issues surged in the depressed market. Takaoka Electric Manufacturing gained Y100 to Y1,220 on reports of expanded capital investment by Tokyo Electric Power. Kyowa Densetsu added Y150 to Y1,630 on hopes of increased orders from Nippon Telegraph and Telephone.

The bond market was not impressed by the yen's surge against the dollar. The yield on the bellwether 6.2 per cent government bonds due in July 1995 rose to 4.685 per cent from last Saturday's 4.645 per cent.

Investors sold the benchmark bond, discouraged by the failure of the yield to fall below the 4.64 per cent level reached on Saturday on speculative buying by dealers. Most were awaiting the outcome of the yen's movement against the dollar.

EUROPE

Boosted by domestic influences

DOMESTIC FACTORS gave a boost to most of Europe's smaller bourses yesterday, although the weaker dollar and the onset of the summer break left many of the bigger markets lower on balance.

Brussels rose in the wake of agreement between the Government and financial institutions that will cut direct state debt interest payments.

The rise was unusual as it took place on the last day of the present trading fortnight, normally marked by profit-taking.

Banks and insurance stocks were generally higher. Générale de Banque added BFr 50 to BFr 5,890 and Kredietbank BFr 225 to BFr 15,825. BBL was steady at BFr 3,025. Among insurance stocks AG rose BFr 500 to BFr 25,600.

Elsewhere, industrials firmed, with Vieille Montagne up BFr 130 at BFr 5,830, while chemical Solvay firmed BFr 70 to BFr 7,080 and Petrofina BFr 50 to BFr 8,160.

Stockholm again proved the star of the day by closing at its third consecutive record high.

Among actives Pharmacia, which plans to buy a major US ophthalmic instrument maker, added SKr 1 to SKr 210. Other pharmaceuticals and biotechnologies included Fermenta, which lost SKr 3 to SKr 145 against the trend, although Astra added SKr 5 to SKr 675.

Elsewhere, Electrolux, which led the rally, rose SKr 8 to SKr 304 while forest group SCA also rose SKr 8 to SKr 293. Ericsson added SKr 1 to SKr 221 and Volvo SKr 7 to SKr 392.

Milan saw good gains among engineering and banking shares in the wake of falling inflation, a resolution of the government crisis and improved economic prospects.

Much of the rally was led by Fiat, which added L650 to 15,050, and its related companies including IFI, up L1,300 to L28,510, and Fidis, up L200 to L20,700.

Paris benefited from late buying to close mixed to higher.

A rise in car registrations during June helped motor stocks, with Peugeot holding steady at FFr 990, tyre group Michelin adding FFr 60 to FFr 3,320 and parts company Valéo unchanged at FFr 513.

The dollar's fall hit some stocks on worries over exports. Perrier, the mineral water group, slipped FFr 8 to FFr 773, and champagne-to-rosebush group Moët-Hennessy lost FFr 59 to FFr 2,230.

Madrid also closed higher led by utilities, but Oslo fell amid worries over the Opec meeting and its efforts to cut quotas.

Frankfurt showed some improvement by the end of the day although the Commerzbank index, set at midsession, was 7.7 down at 1,822.4.

The weaker dollar dampened prices initially, but demand from abroad gave a fillip to most sectors.

Among car manufacturers Daimler Benz, which is building a new plant, rose DM 5 to DM 1,123 and VW DM 3 to DM 444. However, BMW was unchanged at DM 473 ex-rights while Porsche lost DM 7 to DM 942.

Banks ended mixed. Hypo-Bank, which announced higher first-half partial operating earnings, lost 50 pfg to DM 544.50, Commerzbank rose DM 2.50 to DM 291, Dresdner was steady at DM 407 and Deutsche slipped DM 4 to DM 777.

Chemicals were also mixed, with BASF up DM 1.10 to DM 241 and Hoechst up DM 2.50 at DM 242.50. But Bayer fell DM 10 to DM 262.50.

Among retailers Kaufhof gained DM 9 to DM 476, Karstadt DM 4 to DM 388 and Horten DM 4 to DM 202.

In the bond market long maturities gained up to 30 basis points although most paper rose by about 15 basis points.

The Bundesbank sold DM 102.7m of paper after selling DM 132.2m on Friday.

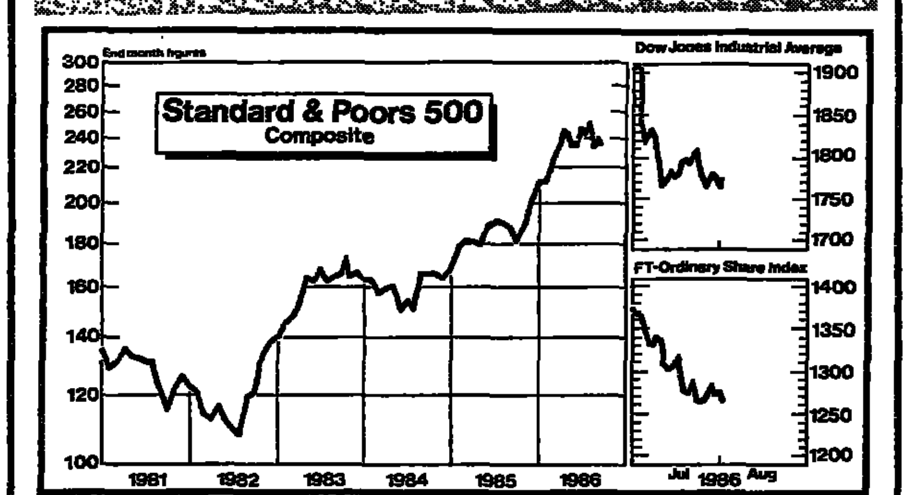
Amsterdam rose on an upsurge of foreign interest although the market closed down from levels reached earlier in the session.

Banks led much of the rise buoyed by hopes of good half-year results. ABN rose Fl 5.50 to Fl 625, NMB Fl 1.50 to Fl 217.50 and Amro Fl 1.40 to Fl 113.10.

Among the internationals, Akzo and Royal Dutch added Fl 1.30 each to Fl 163.30 and Fl 185.50, respectively. Unilever was Fl 7 up at Fl 498 while Philips slipped 30 cents to Fl 46.80 and KLM 20 cents to Fl 45.50.

Zurich closed generally lower in trading dampened by the weak dollar. Swissair bearer fell SFr 65 to SFr 1,305, Union Bank lost SFr 70 to SFr 5,460 and insurer Swiss Re SFr 300 to SFr 15,200.

KEY MARKET MONITORS



STOCK MARKET INDICES

	August 4	Previous	Year ago
NEW YORK			
DJ Industrials	1,769.97	1,763.64	1,353.05
DJ Transport	709.13	713.00	699.44
DJ Utilities	*203.01*	*203.28*	*156.85*
S&P Composite	235.99	234.91	191.48
LONDON			
FT Ord	1,261.5	1,273.4	943.9
FT-SE 100	1,545.4	1,561.8	1,280.4
FT-A All-share	768.04	773.01	612.66
FT-A 500	843.95	849.04	670.64
FT Gold mines	196.5	196.0	309.2
FT-A Long gilt	n/a	9.56	n/a
TOKYO			
Nikkei	17,263.10	17,321.93	12,526.0
Tokyo SE	1,409.13	1,411.29	1,016.93
AUSTRALIA			
All Ord.	1,120.2	1,124.8	936.8
Metals & Mins.	512.4	514.5	538.9
AUSTRIA			
Credit Aktien	232.55	231.71	n/a
BELGIUM			
Belgian SE	3,650.15	3,636.67	2,305.97
CANADA			
Toronto			
Metals & Minls	closed	1,934.8	2,106
Composite	closed	2,932.5	2,798.2
Montreal			
Portfolio	1,459.46	1,460.14	137.61
DENMARK			
SE	197.46	193.69	215.39
FRANCE			
CAC Gen	379.60	378.9	215.3
Ind. Tendance	144.40	143.8	79.5
WEST GERMANY			
FAZ-Aktien	604.70	607.95	475.32
Commerzbank	1,822.40	1,830.1	1,397.3
HONG KONG			
Hang Seng	1,906.28	1,874.11	1,665.59
ITALY			
Banca Comm.	750.43	741.45	359.39
NETHERLANDS			
ANP-CBS Gen	287.70	284.6	218.6
ANP-CBS Ind	286.70	285.5	187.7
NORWAY			
Oslo SE	331.61	333.43	349.95
SINGAPORE			
Straits Times	*751.75*	*741.31*	*771.21*
SOUTH AFRICA			
JSE Golds	–	1,392.3	862.0
JSE Industrials	–	1,239.7	933.5
SPAIN			
Madrid SE	*184.21*	*178.25*	*62.00*
SWEDEN			
J & P	2,531.73	2,481.67	1,381.31
SWITZERLAND			
Swiss Bank Ind	497.20	closed	456.6
WORLD	Aug 1	Prev	Year ago
MS Capital Int'l	328.0	330.1	220.0

COMMODITIES

(London)	Aug 4	Prev
Silver (spot fixing)	348.40p	338.15p
Copper (cash)	£886.00	£848.75
Coffee (Sept)	£1,707.50	£1,722.00
Oil (Brent blend)	$10.35	$9.4

GOLD (per ounce)

	August 4	Prev
London	$359.25	$362.25
Zürich	$359.85	$359.00
Paris (fixing)	$360.38	$362.59
Luxembourg	$360.90	$360.90
New York (Dec)	$367.00	$367.50

CURRENCIES

(London)	US DOLLAR Aug 4	US DOLLAR Previous	STERLING Aug 4	STERLING Previous
$	–	–	1.4710	1.4855
DM	2.0835	2.0835	3.065	3.095
Yen	154.05	153.75	226.5	228.5
FFr	6.7700	6.7825	9.9575	10.075
SFr	1.6765	1.6690	2.465	2.48
Guilder	2.349	2.35	3.455	3.49
Lira	1,428	1,431	2,100.5	2,125.75
BFr	43.05	43.15	63.35	64.10
C$	1.3825	1.3805	2.0340	2.0485

INTEREST RATES

	Aug 4	Prev
Euro-currencies (3-month offered rate)		
£	10⅟₁₆	10
SFr	4¹¹⁄₁₆	4¹¹⁄₁₆
DM	4¹¹⁄₁₆	4¹¹⁄₁₆
FFr	7⁵⁄₁₆	7⁵⁄₁₆
FT London Interbank fixing (offered rate)		
3-month US$	*6½*	*6⁷⁄₁₆*
6-month US$	6½	6⁷⁄₁₆
US Fed Funds	6⁹⁄₁₆*	6¼
US 3-month CDs	6.15*	6.375
US 3-month T-bills	5.725*	5.92

US BONDS

Treasury

		August 4* Price	August 4* Yield	Prev Price	Prev Yield
6⅝	1988	100⁶⁄₃₂	6.52	100⁴⁄₃₂	6.557
7¼	1993	100⁶⁄₃₂	7.21	100⁷⁄₃₂	7.206
7⅜	1996	100¹⁰⁄₃₂	7.33	100¹¹⁄₃₂	7.323
7¼	2016	97¹²⁄₃₂	7.47	97¹⁵⁄₃₂	7.462

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Aug 4* Day's change	Yield	Day's change
1–30	153.78	−0.13	7.28	+0.02
1–10	146.82	+0.04	7.02	+0.01
1–3	138.03	+0.09	6.65	+0.00
3–5	149.05	+0.05	7.20	+0.01
15–30	178.81	−0.79	8.16	+0.05

Source: Merrill Lynch

Corporate	August 4* Price	August 4* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	91½	6.38	91⅝	6.33
SCBT South Central				
10⅞ Jan 1993	106½	9.53	106.39	8.50
Phibro-Sal				
8 April 1996	97.4	8.40	96.72	8.50
TRW				
8¾ March 1996	101⅝	8.50	101.28	8.55
Arco				
9⅞ March 2016	101½	9.72	102⅜	9.66
General Motors				
8⅛ April 2016	90.03	9.10	91⅞	8.98
Citicorp				
9⅜ March 2016	95	9.90	96⅜	9.79

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	97–07	97–11	96–21	97–13
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.45	94.45	94.40	94.44
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	93.90
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.54	93.54	93.51	93.55
20-year Notional Gilt £50,000 32nds of 100%				
Sept	119–26	119–26	119–00	119–19

* *Latest available figures*